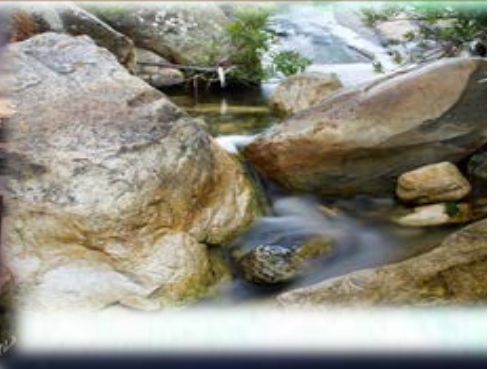


HESSEQUA MUNICIPALITY



ANNUAL FINANCIAL STATEMENTS

2016/2017

HESSEQUA LOCAL MUNICIPALITY	
INDEX	PAGE
General Info	1 - 2
Approval of Financial Statements	3
Statement of the CFO	4 - 6
Statement of Financial Position	7
Statement of Financial Performance	8
Statement of Changes in Net Assets	9
Cash Flow Statement	10
Comparison of budget	11 -15
Accounting Policies	16 - 45
Notes to the Annual Financial Statements	46 - 83
Additional Unaudited Appendixes	
Appendix A: Schedule of External Loans	84
Appendix B: Analysis of Property, Plant and Equipment	85 - 87
Appendix C: Segmental Analysis of Property, Plant and Equipment	88
Appendix D: Segmental Statement of Financial Performance	89
Appendix D (i): Segmental Statement of Financial Performance (excl. Internal transfers)	90
Appendix E (1) Actual versus Budget (Revenue and Expenditure)	91 - 92
Appendix E (2) Actual versus Budget (Acquisition of Property, Plant and Equipment)	93
Appendix F: Disclosure of Grants and Subsidies in terms of section 123 of the MFMA	94

HESSEQUA MUNICIPALITY

GENERAL INFORMATION

EXECUTIVE MAYOR
DEPUTY MAYOR
SPEAKER

Councillor G Riddels
Councillor Mr J Hartnick
Councillor A Stroebel

MEMBERS OF THE EXECUTIVE MAYORAL COMMITTEE:

Chairperson
Member
Member
Member
Member

Councillor G Riddels
Councillor Johannes Hartnick
Councillor M Jakobs
Councillor AM Joubert
Councillor B Smith

CHAIRPERSONS OF THE PORTFOLIO COMMITTEES :

Corporate Services
Finance Portfolio
Community Services
Planning and Environmental Services
Technical Services Portfolio

Councillor B Smith
Councillor B Smith
Councillor M Jakobs
Councillor Johannes Hartnick
Councillor AM Joubert

MEMBERS OF THE FINANCIAL AUDIT COMMITTEE:

Chairperson
Member
Member
Member
Member

Prof PJ du Plessis
Mr KG Herbst
Ms S van Jaarsveld
Mr FH Zietsman
Mnr F Hartnick

MEMBERS OF THE PERFORMANCE AUDIT COMMITTEE:

Chairperson
Member

Prof PJ du Plessis
Mr KG Herbst

AUDITORS:

The Auditor General
Private Bag X1
CHEMPET
7742
Telephone 021-528 4100
Fax 021-528 4201

BANKERS:

FNB
c/o Robertson & Church street
RIVERSDALE
Telephone 082-713 2434

REGISTERED OFFICE:

Van den Berg Street
PO Box 29
RIVERSDALE
6670
Telephone 082 713 8000
Fax 086 401 5259

GENERAL INFORMATION - (continued)

MUNICIPAL MANAGER:

Mr. J. Jacobs

DIRECTOR: FINANCIAL SERVICES:

Ms. H.J. Viljoen

COUNCIL MEMBERS

I Mangaliso
AM Joubert
B Smith
CP Taute
T van den Berg
JL Hartnick
M Fielies
L Pieterse
S Odendaal
J Gelderbloem
Johannes Hartnick
G Riddles
A Stroebe
M Jakobs
T Pretorius

POSITION

Councillor, Eden DM Rep
Councillor, Executive Mayoral Committee
Councillor, Executive Mayoral Committee
Councillor
Councillor
Councillor
Councillor
Councillor, Eden DM Rep
Councillor
Deputy Mayor
Executive Mayor
Speaker, Councillor, Executive Mayoral Committee
Councillor, Executive Mayoral Committee
Councillor

HESSEQUA MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED

30 JUNE 2017

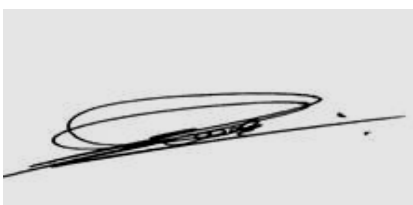
I am responsible for the preparation of these annual financial statements, which are set out on pages 1 - 94, in terms of Section 126(1) of the Municipal Finance Management Act 56 of 2003, and which I have signed on behalf of the Municipality.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

I certify that the salaries, allowances and benefits of councillors as disclosed in note 29 of these Annual Financial Statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of the Public Officer Bearers Act and the Minister of Co-operative Governance and Traditional Affairs determination in accordance with this Act.

The annual financial statements have been prepared on the going concern basis and is hereby certified.



J. JACOBS
Municipal Manager

31 August 2017

Date

HESSEQUA LOCAL MUNICIPALITY

Statement from the Chief Financial Officer

1. Introduction

It is my pleasure to give a brief summary of the financial results of our Council for the financial year ended 30 June 2017.

The financial activities for the year, are reviewed in the various sections of this report.

2. Key financial indicators

Ratio Description

Current ratio

The current ratio is used to measure to which extent the municipality's liquid assets are able to cover its short-term liabilities, also known as working capital. Working capital refers to the financial resources to support the day-to-day operations of the entity giving effect to Section 215 of the Constitution.

The higher the ratio is to 1, the more liquid and solvent the municipality is and able to comply with Section 65 of the MFMA.

Revenue Management

Actual income vs Budgeted income

Level of government grants to own income

The increase in ratio indicates that the government grants received increased relative to the municipality's own income.

Expenditure management

Actual expenditure vs Budgeted expenditure

Personnel costs to total expenditure

Interest paid as percentage of total expenditure

The general accepted norm in this regard is 15%. The relatively low ratio indicates the Municipalities ability to finance capital programmes, to some extent, from own sources. The borrowing, funds and reserves policy prescribes the rate not to exceed 5%.

Creditors to cash and investments

Asset management

Acquisition of PPE - Actual vs budgeted

	2016/17	2015/16
Current ratio	2.52	1.79
Revenue Management <i>Actual income vs Budgeted income</i>	104.08%	100.69%
<i>Level of government grants to own income</i>	42.95%	25.23%
Expenditure management <i>Actual expenditure vs Budgeted expenditure</i>	91.92%	92.12%
<i>Personnel costs to total expenditure</i>	32.40%	34.32%
<i>Interest paid as percentage of total expenditure</i>	4.52%	4.04%
<i>Creditors to cash and investments</i>	26.11%	21.33%

	2017 Actual R	2017 Budget R	2017 Variance R	2017 Variance %
Land				
<u>Land & Buildings</u>	2 175 249	3 876 304	-1 701 055	-43.88
	2 175 249	3 876 304	-1 701 055	-43.88
Infrastructure				
<u>Sewerage</u>	25 243 104	31 823 284	-6 580 180	-20.68
<u>Water</u>	8 544 841	13 173 501	-4 628 660	-35.14
<u>Electricity</u>	5 452 715	5 605 000	-152 285	-2.72
<u>Solid Waste</u>	328 241	328 545	-304	-0.09
<u>Roads and Stormwater</u>	87 137 948	105 076 511	-17 938 563	-17.07
	126 706 849	156 006 841	-29 299 992	-18.78

Statement from the Chief Financial Officer -(continued)

Community Assets				
<u>Public Conveniences</u>	174 169	203 000	-28 831	-14.20
<u>Sportfields</u>	176 618	201 000	-24 382	-12.13
<u>Cemeteries</u>	852 175	986 353	-134 179	-13.60
<u>Other</u>	582 449	589 970	-7 521	-1.27
	1 785 411	1 980 323	-194 912	-9.84
Other Assets				
<u>Plant & Equipment</u>	2 591 742	3 944 758	-1 353 016	-34.30
<u>Motor Vehicles</u>	4 688 162	6 601 200	-1 913 038	-28.98
<u>Other</u>	1 142 720	1 392 511	-249 791	-17.94
	8 422 624	11 938 469	-3 515 845	-29.45
Total	139 090 133	173 801 937	-34 711 804	-19.97
The difference of R15 952 198 from the capital spending on note 8, relate to previous year operating budget spending restated to capital budget spending.				

Budget Spent 80.03%

Consumer debtors collection period

(Gross exchange debtors/service charges x 365)

The higher the ratio in the days the more likelihood that some debt could be irrecoverable.

Collection rate - (year levies less receipts)

Debt management

Total liabilities/Total assets

The ratio decreased by 6% which indicates an increase in the level of solvency since total assets increased relatively to total liabilities.

Long term debt to Total operating revenue (Excl grants and transfers)

(The borrowing, funds and reserves policy prescribes the rate not to exceed 35%.)

Percentage of Total annual repayment of long term debt to operating expenditure

(The borrowing, funds and reserves policy prescribes the rate not to exceed 10%.)

Trade creditors payment period

This indicates an increase of 2 days relative to the prior year in creditors' payments.

	2016/17	2015/16
74.17 days	75.87 days	
97.51%	97.27%	
31.82%	37.83%	
34.18%	38.42%	
4.01%	4.29%	
73.79 days	71.95 days	

3. Operating Results

The overall summarised operating results for the municipality in comparison to the approved budget is shown below. The Statement of Financial Performance reflects a summary of income and expenditure, whilst the segmental operating results per service is shown in Appendix D of the annual financial statements.

	2016/17		2015/16	
	Actual	Budget	Actual	Growth
Revenue				
Agency services	1 986 815	1 673 115	1 778 356	11.72%
Fines	66 507 156	41 205 010	44 051 887	50.97%
Gains on disposal of PPE	1 301 440	500 000	-	100.00%
Donated PPE	900 000	900 000	73 300	1127.83%
Interest Earned - External investments	18 093 727	5 227 950	12 637 014	43.18%
Interest Earned - Outstanding debtors	1 522 180	1 188 378	1 034 590	47.13%
Licenses and permits	1 318 799	1 186 158	1 245 120	5.92%
Property rates	70 987 819	69 913 736	65 936 567	7.66%
Rental of facilities and equipment	13 163 772	11 375 711	11 093 561	18.66%
Services Charges	188 958 244	185 201 276	173 413 199	8.96%
Transfers Recognised	158 411 863	187 595 462	79 848 423	98.39%
Gain on revaluation of Investment Property	2 704 941	-	711 600	-100.00%
Other revenue	4 998 006	4 055 149	5 240 002	-4.62%
	530 854 761	510 021 945	397 063 618	33.70%

Statement from the Chief Financial Officer -(continued)

	2016/17		2015/16	Growth
	Actual	Budget	Actual	
Expenses				
Bulk purchases	93 677 454	93 445 619	85 599 383	9.44%
Contracted services	7 148 338	9 714 169	4 504 464	58.69%
Debt impairment	47 471 141	34 619 258	38 268 449	24.05%
Depreciation and impairment	26 571 215	33 545 316	24 836 460	6.98%
Employee related cost	127 034 731	142 299 093	116 413 761	9.12%
Remuneration of councillors	6 483 887	7 001 944	6 046 658	7.23%
Finance charges	17 722 545	17 972 306	13 694 690	29.41%
Loss on disposal of assets	322 316	-	218 494	47.52%
Repairs and maintenance	16 265 256	18 760 218	15 685 797	3.69%
Other expenditure	49 329 849	69 118 795	33 907 004	45.49%
	392 026 732	426 476 718	339 175 156	15.58%
Net operating Surplus	138 828 028	83 545 227	57 888 462	

3.1 Operating revenue

The major revenue streams that supported the programmes and activities of the municipality were:

- property rates
- services charges, consisting of the following:
 - ~ electricity sales
 - ~ water sales
 - ~ waste water management
 - ~ solid waste management
- government grants and subsidies
- other

Details of the main categories of income are as follows:

	2016/17	2015/16
Service Charges	35.60%	43.67%
Property rates	13.37%	16.61%
Grants and subsidies	29.84%	20.11%
Other	21.19%	19.61%
	100.00%	100.00%

3.2 Operating expenditure

Details of the main categories of expenditure for the year under review is provided below:

	2016/17	2015/16
Bulk purchases	23.90%	25.24%
Employee related cost/Council Remuneration	34.06%	36.11%
Depreciation and impairment	6.78%	7.32%
Repairs and maintenance	4.15%	4.62%
Finance cost	4.52%	4.04%
Other	26.60%	22.67%
	100.00%	100.00%

4. Debtors

Total outstanding net debtors increased by R10 225 965 to a balance of R46 990 916 at 30 June 2017. Income from traffic fines increased to R66 507 156 and outstanding traffic receivables increased to R76 094 766 at 30 June 2017. A provision for impairment of traffic fines of R58 592 970 was made at year end.

5. Borrowings, Investments and Cash

Interest bearing debt increased to R127 294 110 in the financial year ended 30 June 2017. Cash and cash equivalents increased by R4 993 993 to close the year at R212 million.

6. Expression of appreciation

We are grateful to the Mayor, members of the Executive Committee, Councillors, the Municipal Manager and Heads of Departments for the support extended during the financial year. A special word of thanks to all staff in the Finance Department, without whose assistance these Annual Financial Statements would not have been possible.

H.J. VILJOEN
CHIEF FINANCIAL OFFICER
31 August 2017

STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2017

	Note	2017 R	2016 Restated R
ASSETS			
Current Assets		264 212 286	249 830 678
Inventory	2	3 185 607	3 415 870
Trade receivables from exchange transactions	3	20 823 537	18 759 905
Trade receivables from non-exchange transactions	4	26 167 379	18 005 045
VAT Receivable	5	1 861 914	2 582 638
Bank, Cash and Cash Equivalents	6	211 779 090	206 785 097
Operating Lease Assets	7	392 126	278 797
Current Portion of Long-term Receivables	12	2 634	3 326
Non-Current Assets		816 408 378	712 023 390
Property, Plant and Equipment	8	736 758 077	635 036 851
Intangible Assets	9	320 455	342 000
Investment Property	10	70 995 100	68 307 159
Heritage Assets	11	8 321 875	8 321 875
Long-term Receivables	12	12 871	15 505
Total Assets		1 080 620 665	961 854 068
LIABILITIES			
Current Liabilities		105 044 801	139 612 937
Consumer Deposits	13	5 161 333	4 413 645
Provisions	14	7 474 064	6 453 873
Creditors	15	55 290 713	44 114 057
Unspent Conditional Grants and Receipts	16	21 250 876	69 966 986
Operating Lease Liabilities	17	130 220	98 476
Current Portion of Long-term Liabilities	18	15 737 596	14 565 900
Non-Current Liabilities		238 776 270	224 269 567
Long-term Liabilities	18	111 556 514	107 294 319
Retirement Benefit Liabilities	19	42 116 910	42 982 000
Non-current Provisions	20	83 181 499	72 177 093
Trust Fund	48	1 921 347	1 816 155
Total Liabilities		343 821 072	363 882 504
Total Assets and Liabilities		736 799 593	597 971 564
NET ASSETS		736 799 593	597 971 564
Statutory Funds	21	245 694	245 694
Accumulated Surplus	22	736 553 899	597 725 869
Total Net Assets		736 799 593	597 971 564

HESSEQUA LOCAL MUNICIPALITY

STATEMENT OF FINANCIAL PERFORMANCE AT 30 JUNE 2017

Revenue	Note	2017 R Actual	2016 R Restated	2016 R Restatement of expenditure/ revenue	2016 R Previously reported
Revenue from non-exchange transactions					
Property Rates	23	70 987 819	65 936 567	-	65 936 567
Fines		66 507 156	44 051 887	-	44 051 887
Licences and permits		1 318 799	1 245 120	-	1 245 120
Income from Agency Services		1 986 815	1 778 356	-	1 778 356
Donated Property, Plant and Equipment		900 000	73 300	-	73 300
Government Grants and Subsidies	25 + 26	158 411 863	79 848 423	-	79 848 423
Gain on revaluation of Investment Property		2 704 941	711 600	-	711 600
Revenue from exchange transactions					
Service Charges	24	188 958 244	173 413 199	-	173 413 199
Rental of facilities and equipment		13 163 772	11 093 561	-	11 093 561
Interest earned - external investments		18 093 727	12 637 014	-	12 637 014
Interest earned - outstanding receivables		1 522 180	1 034 590	-	1 034 590
Other income	27	4 998 006	5 240 001	-	5 240 001
Gains on disposal of property, plant and equipment		1 301 440	-	-	-
Total Revenue		530 854 761	397 063 618	-	397 063 618

Expenditure					
Employee related costs	28	127 034 731	116 413 761	-	116 413 761
Remuneration of Councillors	29	6 483 887	6 046 658	-	6 046 658
Bad debts	30	47 471 141	38 268 449	-	38 268 449
Collection costs		2 260 932	1 892 307	-	1 892 307
Depreciation and amortisation	31	26 571 215	24 836 460	(644 609)	25 481 069
Repairs and maintenance	32	16 265 256	15 685 797	-	15 685 797
Interest paid	33	17 722 545	13 694 690	-	13 694 690
Bulk purchases	34	93 677 454	85 599 383	-	85 599 383
Loss on disposal of property, plant and equipment		322 316	218 494	-	218 494
Contracted services		7 148 338	4 504 464	-	4 504 464
General expenses	35	47 068 917	32 014 695	(7 217 066)	39 231 761
Total Expenditure		392 026 732	339 175 156	(7 861 675)	347 036 831

Surplus/(Deficit) For The Year	138 828 029	57 888 462	7 861 675	50 026 787
---------------------------------------	--------------------	-------------------	------------------	-------------------

Refer to note 47 for details regarding restatements.

HESSEQUA LOCAL MUNICIPALITY

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR END

30 JUNE 2017

	Note	Housing Reserve R	Revaluation Reserve R	Accumulated Surplus/ (Deficit) R
Balance at 1 JULY 2015		245 695	-	530 040 251
Correction of prior year error	47			9 797 156
Restated balance at 1 JULY 2015		245 695	-	539 837 407
Surplus for the year - restated				57 888 463
Transfer from Housing Reserve		-		-
Restated balance at 30 JUNE 2016		245 695	-	597 725 869
Surplus for the year				138 828 029
Balance at 30 JUNE 2017		245 694	-	736 553 899

ED
Total
R
530 285 945
9 797 156
540 083 101
57 888 463
-
597 971 564
138 828 029
736 799 593

HESSEQUA LOCAL MUNICIPALITY

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2017

	Note	2017	2016		
Cash Flow from Operating Activities		R	R	R	R
		Actual	Restated	Restatement of expenditure/ revenue	Previously reported
Receipts					
Property rates		70 471 477	65 375 475	-	65 375 475
Fines		33 026 143	10 438 007	-	10 438 007
Government grants and subsidies		109 695 753	112 080 547	-	112 080 548
Service Charges		165 757 715	165 664 038	-	165 664 038
Income from agency services		1 986 815	1 778 356	-	1 778 356
Rental of facilities and equipment		13 163 772	11 093 561	-	11 093 561
Licences and permits		1 318 799	1 245 120	-	1 245 120
Other receipts		4 727 716	5 810 152	-	5 810 152
Payments					
Employee related cost		(126 734 830)	(115 492 231)	-	(115 492 231)
Remuneration of councillors		(6 483 887)	(6 046 658)	-	(6 046 658)
Suppliers paid		(100 339 572)	(96 440 024)	-	(96 440 024)
Other payments		(48 842 869)	(32 338 537)	7 217 066	(39 555 603)
Cash generated from operations	37	117 747 031	123 167 807	7 217 066	115 950 742
Interest received		19 615 907	13 671 604		13 671 604
Interest paid	33	(17 722 545)	(13 694 690)		(13 694 690)
Net Cash from Operating Activities		119 640 393	123 144 721	7 217 066	115 927 656
Cash flows from Investing Activities					
Purchase of property, plant and equipment	8	(122 237 935)	(85 893 604)	(7 217 066)	(78 676 538)
Sale of property, plant and equipment		1 301 440	632 579	-	632 579
Sale of Investment Property		-	24 000	-	24 000
Increase in non-current receivables		3 326	1 359	-	1 359
Net Cash flows from Investing Activities		(120 933 169)	(85 235 666)	(7 217 066)	(78 018 599)
Cash flows from Financing Activities					
New loans raised/(repaid)		5 433 889	31 460 640		31 460 638
(Decrease)/increase in consumer deposits		747 688	671 815		671 815
Increase in Trust Funds		105 192	44 034		44 034
Net Cash from Financing Activities		6 286 768	32 176 489		32 176 487
Net Increase in Cash and Cash Equivalents		4 993 993	70 085 544	-	70 085 544
Cash and cash equivalents at the beginning of the year		206 785 097	136 699 553		136 699 553
Cash and cash equivalents at the end of the year	36	211 779 090	206 785 097		206 785 097



HESSEQUA LOCAL MUNICIPALITY

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS AT 30 JUNE 2017

Statement of Financial Performance

Figures in Rand

Revenue	Approved budget - (Febr 2017)	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Revenue from non-exchange transactions						Note 55
Property Rates	69 913 736	-	69 913 736	70 987 819	1 074 083	
Fines	41 205 010	-	41 205 010	66 507 156	25 302 146	Rev 1
Licences and permits	1 186 158	-	1 186 158	1 318 799	132 641	
Income from agency services	1 673 115	-	1 673 115	1 986 815	313 700	
Contributed Asset	-	-	-	(0)	(0)	
Donated Property, Plant and Equipment	900 000	-	900 000	900 000	-	
Government grants and subsidies	183 846 655	3 748 807	187 595 462	158 411 863	(29 183 599)	Rev 2
Gain on revaluation of Investment Property	-	-	-	2 704 941	2 704 941	Rev8
Revenue from exchange transactions		-				
Service Charges	185 201 276	-	185 201 276	188 958 244	3 756 968	Rev 3
Rental of facilities and equipment	11 375 711	-	11 375 711	13 163 772	1 788 061	
Interest earned - external investments	5 227 950	-	5 227 950	18 093 727	12 865 777	Rev 4
Interest earned - outstanding receivables	1 188 378	-	1 188 378	1 522 180	333 802	Rev5
Other income	4 055 149	-	4 055 149	4 998 006	942 857	Rev 6
Gains on disposal of property, plant and equipment	500 000	-	500 000	1 301 440	801 440	Rev7
Total Revenue	506 273 138	3 748 807	510 021 945	530 854 761	20 832 816	
Expenditure						
Employee related costs	142 324 293	(25 200)	142 299 093	127 034 731	(15 264 362)	Exp 1
Remuneration of Councillors	7 001 944	-	7 001 944	6 483 887	(518 057)	
Bad debts	34 619 258	-	34 619 258	47 471 141	12 851 883	Exp 2
Collection costs	2 438 834	(20 900)	2 417 934	2 260 932	(157 002)	
Depreciation and amortisation	33 545 316	-	33 545 316	26 571 215	(6 974 101)	Exp 3
Repairs and maintenance	18 429 229	330 989	18 760 218	16 265 256	(2 494 962)	Exp 4
Interest paid	17 972 306	-	17 972 306	17 722 545	(249 761)	
Bulk purchases	93 441 519	4 100	93 445 619	93 677 454	231 835	
Loss on disposal of property, plant and equipment	-	-	-	322 316	322 316	
Contracted services	9 714 169	-	9 714 169	7 148 338	(2 565 831)	Exp 5
General expenses	64 168 403	2 532 458	66 700 861	47 068 917	(19 631 944)	Exp 6
Total Expenditure	423 655 271	2 821 447	426 476 718	392 026 732	(34 449 986)	
Surplus/(Deficit) For The Year	82 617 867	927 360	83 545 227	138 828 029	55 282 802	

HESSEQUA LOCAL MUNICIPALITY

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS AT 30 JUNE 2017

Statement of Financial Position	Approved budget - (Febr 2017)	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
ASSETS						Note 55
Current Assets	164 161 486	0	164 161 486	264 212 286	100 050 800	
Inventory	2 850 212	0	2 850 212	3 185 607	335 395	
Trade receivables from exchange transactions	38 626 000	0	38 626 000	20 823 537	-17 802 463	Fp1
Trade receivables from non-exchange transactions	2 189 337	0	2 189 337	26 167 379	23 978 042	Fp2
VAT Receivable	0	0	0	1 861 914	1 861 914	
Bank, Cash and Cash Equivalents	120 492 937	0	120 492 937	211 779 090	91 286 153	Fp3
Operating Lease Assets	0	0	0	392 126	392 126	
Current Portion of Long-term Receivables	3 000	0	3 000	2 634	-366	
Non-Current Assets	824 107 698	0	824 107 698	816 408 378	-7 699 320	
Property, Plant and Equipment	764 051 223	0	764 051 223	736 758 077	-27 293 146	Fp4
Intangible assets	342 000	0	342 000	320 455	-21 545	
Investment Property	51 377 600	0	51 377 600	70 995 100	19 617 500	Fp5
Heritage Assets	8 321 875	0	8 321 875	8 321 875	0	
Long-term Receivables	15 000	0	15 000	12 871	-2 129	
Total Assets	988 269 184	0	988 269 184	1 080 620 665	92 351 481	
LIABILITIES						
Current Liabilities	98 363 382	0	98 363 382	105 044 801	6 681 419	
Consumer Deposits	4 428 921	0	4 428 921	5 161 333	732 412	
Provisions	6 884 873	0	6 884 873	7 474 064	589 191	
Creditors	71 362 588	0	71 362 588	55 290 713	-16 071 875	Fp6
Unspent Conditional Grants and Receipts	0	0	0	21 250 876	21 250 876	Fp7
Operating Lease Liabilities	0	0	0	130 220	130 220	
Current Portion of Long-term Liabilities	15 687 000	0	15 687 000	15 737 596	50 596	
Non-Current Liabilities	250 693 961	0	250 693 961	238 776 270	-11 917 691	
Long-term Liabilities	125 142 284	0	125 142 284	111 556 514	-13 585 770	Fp8
Retirement Benefit Liabilities	53 770 000	0	53 770 000	42 116 910	-11 653 090	Fp9
Non-current Provisions	69 965 522	0	69 965 522	83 181 499	13 215 977	Fp10
Trust Fund	1 816 155	0	1 816 155	1 921 347	105 192	
Total Liabilities	349 057 343	0	349 057 343	343 821 072	-5 236 271	
Total Assets and Liabilities	639 211 841	0	639 211 841	736 799 593	97 587 752	
NET ASSETS	639 211 841	0	639 211 724	736 799 593	97 587 752	
Statutory Funds	246 000	0	246 000	245 694	-423	
Accumulated Surplus	638 965 841	0	638 965 724	736 553 899	97 588 175	
Total Net Assets	639 211 841	0	639 211 841	736 799 593	97 587 752	

HESSEQUA LOCAL MUNICIPALITY

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS AT 30 JUNE 2017

Cash Flow from Operating Activities	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						Note 55
Receipts						
Property rates	68 515 461	-	68 515 461	70 471 477	1 956 016	Cf1
Service charges	191 654 720	-	191 654 720	165 757 715	(25 897 005)	
Other revenue	19 738 051	-	19 738 051	54 223 245	34 485 194	
Government grants and subsidies	117 624 500	-	117 624 500	109 695 753	(7 928 747)	
Payments						
Suppliers and employees	(335 618 795)	-	(335 618 795)	(282 401 159)	53 217 636	Cf2
Transfers and grants	(886 400)	-	(886 400)	-	886 400	
Cash generated from operations	61 027 537	-	61 027 537	117 747 031	56 719 494	
Interest received	6 392 560	-	6 392 560	19 615 907	13 223 347	Cf3
Interest paid	(17 972 306)	-	(17 972 306)	(17 722 545)	249 761	
Net Cash from Operating Activities	49 447 791	-	49 447 791	119 640 393	70 192 602	
Cash flows from Investing Activities						
Purchase of property, plant and equipment	(156 922 377)	-	(156 922 377)	(122 237 935)	34 684 442	Cf4
Sale of property, plant and equipment	500 000	-	500 000	1 301 440	801 440	Cf5
(Increase)/decrease in non-current receivables	2 000	-	2 000	3 326	1 326	
Net Cash flows from Investing Activities	(156 420 377)	-	(156 420 377)	(120 933 169)	35 487 208	
Cash flows from Financing Activities						
New loans raised/(repaid)	34 045 613	-	34 045 613	5 433 889	(28 611 724)	Cf6
(Decrease)/increase in consumer deposits	187 091	-	187 091	747 688	560 597	
Increase in Trust Funds	-	-	-	105 192	105 192	
Net Cash from Financing Activities	34 232 704	-	34 232 704	6 286 768	(27 945 936)	
Net Increase / (decrease) in Cash and Cash Equivalents	(72 739 881)	-	(72 739 881)	4 993 993	77 733 875	
Cash and cash equivalents at the beginning of the year	206 785 097	-	206 785 097	206 785 097	(0)	
Cash and cash equivalents at the end of the year	134 045 216	-	134 045 216	211 779 090	77 733 874	Cf7

HESSEQUA LOCAL MUNICIPALITY

APPROPRIATION STATEMENT AT 30 JUNE 2017

Statement of Financial Performance

Figures in Rand

Revenue	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Virement (i.t.o. council approved policy)	Virement (not i.t.o. council approved policy)	Final Budget	Actual Outcome	Actual outcome as % of final budget	Actual outcome as % of original budget
Revenue from non-exchange transactions									
Property Rates	69 913 736	-	69 913 736	-	-	69 913 736	70 987 819	1.54	1.54
Fines	41 205 010	-	41 205 010	-	-	41 205 010	66 507 156	61.41	61.41
Licences and permits	1 186 158	-	1 186 158	-	-	1 186 158	1 318 799	11.18	11.18
Income from agency services	1 673 115	-	1 673 115	-	-	1 673 115	1 986 815	18.75	18.75
Donated Property, Plant and Equipment	-	900 000	900 000	-	-	900 000	900 000	100.00	100.00
Government grants and subsidies	178 346 261	5 500 394	183 846 655	-	3 748 807	187 595 462	158 411 863	(15.56)	(11.18)
Gain on revaluation of Investment Property	-	-	-	-	-	-	2 704 941	100.00	100.00
Revenue from exchange transactions									
Service Charges	185 201 276	-	185 201 276	-	-	185 201 276	188 958 244	2.03	2.03
Rental of facilities and equipment	11 375 711	-	11 375 711	-	-	11 375 711	13 163 772	15.72	15.72
Interest earned - external investments	5 227 950	-	5 227 950	-	-	5 227 950	18 093 727	246.10	246.10
Interest earned - outstanding receivables	1 188 378	-	1 188 378	-	-	1 188 378	1 522 180	28.09	28.09
Other income	4 055 149	-	4 055 149	-	-	4 055 149	4 998 006	23.25	23.25
Gains on disposal of property, plant and equipment	5 000 000	(4 500 000)	500 000	-	-	500 000	1 301 440	160.29	(73.97)
Total Revenue	504 372 744	1 900 394	506 273 138	-	3 748 807	510 021 945	530 854 761	4.08	5.25
Expenditure									
Employee related costs	141 339 878	984 415	142 324 293	-	(25 200)	142 299 093	127 034 731	(10.73)	(10.12)
Remuneration of Councillors	7 001 944	-	7 001 944	-	-	7 001 944	6 483 887	(7.40)	(7.40)
Bad debts	34 619 258	-	34 619 258	-	-	34 619 258	47 471 141	37.12	37.12
Collection costs	2 478 834	(40 000)	2 438 834	(20 900)	-	2 417 934	2 260 932	(6.49)	
Depreciation and amortisation	33 694 301	(148 985)	33 545 316	-	-	33 545 316	26 571 215	(20.79)	(21.14)
Repairs and maintenance	18 092 709	336 520	18 429 229	330 989	-	18 760 218	16 265 256	(13.30)	
Interest paid	17 789 306	183 000	17 972 306	-	-	17 972 306	17 722 545	(1.39)	(0.38)
Bulk purchases	93 370 519	71 000	93 441 519	4 100	-	93 445 619	93 677 454	0.25	0.33
Loss on disposal of property, plant and equipment	-	-	-	-	-	-	322 316	-	-
Contracted services	10 309 831	(595 662)	9 714 169	-	-	9 714 169	7 148 338	(26.41)	(30.66)
General expenses	64 082 540	85 863	64 168 403	(314 189)	2 846 647	66 700 861	47 068 917	(29.43)	(26.55)
Total Expenditure	422 779 120	876 151	423 655 271	-	2 821 447	426 476 718	392 026 732	(8.08)	(7.27)
Surplus/(Deficit) For The Year	81 593 624	1 024 243	82 617 867	-	927 360	83 545 227	138 828 029	66.17	70.15

HESSEQUA LOCAL MUNICIPALITY

APPROPRIATION STATEMENT AT 30 JUNE 2017

Capital Budget

Figures in Rand

GFS classification	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Virement (i.t.o. council approved policy)	Virement (not i.t.o. council approved policy)	Final Budget	Actual Outcome	Actual outcome as % of final budget	Actual outcome as % of original budget	Reference
Finance & Admin	4 418 700	-8 190	4 410 510	-	-	4 410 510	2 451 037	-44.4	-44.5	Cap1
Community & Social Services	1 629 500	93 838	1 723 338	-	-	1 723 338	1 451 679	-15.8	-10.9	
Hessequa Tourism	1 800	-	1 800	-	-	1 800	1 031	-42.7	-42.7	
Electricity	5 713 000	-	5 713 000	-	-	5 713 000	5 516 237	-3.4	-3.4	
Executive & Council	201 300	-28 090	173 210	-	-	173 210	170 091	-1.8	-15.5	
Planning & Development	18 800	-	18 800	-	-	18 800	12 769	-32.1	-32.1	
Housing	24 500	-4 850	19 650	-	-	19 650	19 350	-1.5	-21.0	
Public Safety	1 255 600	2 090 800	3 346 400	-	-	3 346 400	1 432 955	-57.2	14.1	Cap5
Road Transport	108 431 419	441 092	108 872 511	-	-	108 872 511	90 187 596	-17.2	-16.8	Cap2
Sport & Recreation	3 780 963	-749 913	3 031 050	-	-	3 031 050	2 701 557	-10.9	-28.5	
Waste Management/Solid Waste	465 000	228 545	693 545	-	-	693 545	618 186	-10.9	32.9	
Waste Water Management/Sewerage	20 388 299	-4 945 775	15 442 524	-	16 879 560	32 322 084	25 690 119	-20.5	26.0	Cap3
Water	12 213 480	1 262 559	13 476 039	-	-	13 476 039	8 837 526	-34.4	-27.6	Cap4
Total	158 542 361	-1 619 984	156 922 377	-	16 879 560	173 801 937	139 090 133	-20.0	-12.3	

*

* The amount of R15 952 198 relate to previous year operating budget spending restated to capital budget spending.

* The amount of R927 362 relate to current year operating budget spending restated to capital budget spending.

The virement was necessitated to accommodate the administration process to recognise the capital asset.

HESSEQUA LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS **FOR THE YEAR ENDED 30 JUNE 2017**

1. BASIS OF PRESENTATION

The Annual Financial Statements have been prepared on an accrual basis of accounting and is in accordance with the historical cost convention, except where indicated otherwise.

The financial statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practices (GRAP), as approved by the Minister of Finance, including any interpretations, guidelines and directives issued by the Accounting Standards Board and the Municipal Finance Management Act, 2003 (Act No. 56 of 2003).

1. 1 CHANGES IN ACCOUNTING POLICY AND COMPARABILITY

Accounting Policies have been consistently applied, except where otherwise indicated below:

For the years ended 30 June 2016 and 30 June 2017 the municipality has adopted the accounting framework as set out in point 1 above. The details of any resulting changes in accounting policy and comparative restatements are set out below.

The municipality changes an accounting policy only in the following instances, where it:

- (a) is required by a Standard of GRAP; or
- (b) results in the financial statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the municipality's financial position, financial performance or cash flows.

1. 2 CRITICAL JUDGEMENTS, ESTIMATIONS AND ASSUMPTIONS

In the application of the municipality's accounting policies, which are described below, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

These estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgements and estimations, that management has made in the process of applying the municipality's Accounting Policies and that have the most significant effect on the amounts recognised in the Annual Financial Statements:

1. 2. 1 Revenue Recognition

Accounting Policy 12.2 on *Revenue from Exchange Transactions* and Accounting Policy 12.3 on *Revenue from Non-exchange Transactions* describes the conditions under which revenue will be recorded by the management of the municipality.

In making their judgement, management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: *Revenue from Exchange Transactions* and GRAP 23: *Revenue from Non-Exchange Transactions*. In particular, whether the municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services are rendered, whether the service has been rendered. Also of importance is the estimation process involved in initially measuring revenue at the fair value thereof. The management of the municipality is satisfied that recognition of the revenue in the current year is appropriate.

HESSEQUA LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS **FOR THE YEAR ENDED 30 JUNE 2017**

1. BASIS OF PRESENTATION (continued)

1. 2 CRITICAL JUDGEMENTS, ESTIMATIONS AND ASSUMPTIONS (continued)

1. 2. 2 *Financial assets and liabilities*

The classification of financial assets and liabilities, into categories, is based on judgement by management. Accounting Policy 9.1 on *Financial Assets Classification* and Accounting Policy 9.2 on *Financial Liabilities Classification* describe the factors and criteria considered by the management of the municipality in the classification of financial assets and liabilities.

In making the above-mentioned judgement, management considered the definition and recognition criteria for the classification of financial instruments as set out in GRAP 104: *Financial Instruments*.

1. 2. 3 *Impairment of Financial Assets*

Accounting Policy 9.4 on *Impairment of Financial Assets* describes the process followed to determine the value by which financial assets should be impaired. In making the estimation of the impairment, the management of the municipality considered the detailed criteria of impairment of financial assets as set out in GRAP 104: *Financial Instruments* and used its judgement to select a variety of methods and made assumptions that are mainly based on market conditions existing at the end of the reporting period. The management of the municipality is satisfied that the impairment of financial assets recorded during the year is appropriate.

- **Impairment of Trade Receivables:**

The calculation in respect of the impairment of Debtors is based on an assessment of the extent to which Debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This is performed per service-identifiable categories across all classes of debtors.

The total increase in estimation of the impairment of Receivables from Exchange Transactions, Receivables from Non-exchange Transactions and that of Long-term Receivables are disclosed in Notes 3, 4 and 12 to the Annual Financial Statements.

1. 2. 4 *Fair Value Estimations*

As described in Accounting Policy 6.2, the municipality subsequently measures its Investment Property in terms of the Fair Value Model.

The valuation of assets are based on management's estimation. Management considered the impact of valuation techniques and market information in order to determine the current valuations, and more specifically as follows:

- Investment Property is measured at fair value amounts based on valuation techniques and market information. The actual value of these items could differ from those estimated.

1. 2. 5 *Useful lives of Property, Plant and Equipment*

As described in Accounting Policies 3.3, 4 and 5 the municipality depreciates / amortises its property, plant and equipment, investment property and intangible assets over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives, which is determined when the assets are available for use. The useful lives and residual values of the assets are based on management's estimation. Management considered the impact of technology, availability of capital funding, service requirements and required return on assets in order to determine the optimum useful life expectation, where appropriate.

The assessment and considerations of useful lives are set out in Accounting policy 8, Estimation of Useful Lives.

The estimation of residual values of assets is based on management's judgement as to whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

The municipality has opted to early adopt the changes to GRAP 17: Property, Plant and Equipment as evident from Exposure Draft 126. Therefore, the useful lives and residual values of items of Property, Plant and Equipment, Intangible Assets and Investment Property shall only be amended if there has been any indicators that require such change to be made.

1. 2. 6 *Impairment: Write down of Property, Plant and Equipment, Intangible assets, Heritage assets and Inventories*

Accounting Policy 3.9 on *PPE - Impairment of assets* and Accounting Policy 5.2 on *Intangible assets - Subsequent Measurement, Amortisation and Impairment*, Accounting Policy 11.2 on *Inventory - Subsequent measurement and Accounting policy 4.3 on Heritage assets - Subsequent Measurement* describes the conditions under which non-financial assets are tested for potential impairment losses by the management of the municipality. Significant estimates and judgements are made relating to PPE impairment testing, Intangible assets impairment testing and write down of Inventories to the lowest of Cost and Net Realisable Values (NRV).

HESSEQUA LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS **FOR THE YEAR ENDED 30 JUNE 2017**

1. BASIS OF PRESENTATION (continued)

In making the above-mentioned estimates and judgement, management considered the subsequent measurement criteria and indicators of potential impairment losses as set out in GRAP 21: Impairment of Cash generating Assets and GRAP 26: Impairment of non-Cash generating Assets. In particular, the calculation of the recoverable service amount for PPE and intangible assets and the NRV for inventories involves significant judgement by management.

1. 2. 7 Defined Benefit Plan Liabilities

As described in Accounting Policy 15, the municipality obtains actuarial valuations of its defined benefit plan liabilities. The defined benefit obligations of the municipality that were identified are Post-retirement Health Benefit Obligations, and Long-service Awards. The estimated liabilities are recorded in accordance with the requirements of GRAP 25. Details of the liabilities and the key assumptions made by the actuaries in estimating the liabilities are provided in Note 19 and 20 of the Annual Financial Statements.

1. 2. 8 Provisions and contingent liabilities

Management judgement is required when recognising and measuring provisions and when measuring contingent liabilities as set out in notes, 14, 20 and 52 respectively. Provisions are discounted where the effect of discounting is material, using actuarial valuations.

1. 2. 9 Water Inventory

The estimation of the water stock in the reservoirs is based on the measurement of water after the depth of water in the reservoirs has been determined, which is then converted into volumes based on the total capacity of the reservoir. Furthermore, the length and width of all pipes are also taken into account in determining the volume of water on hand at year-end. Refer to Note 10 of the accounting policy notes to the Annual Financial Statements.

1. 2. 10 Budget information

Municipalities are typically subject to budgetary limits in the form of budget authorisations, which is given effect through authorising legislation, appropriation or similar. General purpose financial reporting by the municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on an accrual basis and presented by functional classification linked to performance outcome objectives. The approved budget covers the fiscal period from 01/07/2016 to 30/06/2017.

The financial statements and the budget are on the same basis of accounting, therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

Deviations between budget and actual amounts are regarded as material differences when a 5% deviation exists. All material differences above 5% are explained in the notes to the annual financial statements.

1. 3 PRESENTATION CURRENCY

The Annual Financial Statements are presented in South African Rand, rounded off to the nearest Rand, which is the municipality's functional currency.

1. 4 GOING CONCERN ASSUMPTION

The Annual Financial Statements have been prepared on a going concern basis.

1. 5 OFFSETTING

Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

1. 6 STANDARDS AND AMENDMENTS TO STANDARDS ISSUED BUT NOT YET EFFECTIVE

The following GRAP standards have been issued but are not yet effective and have not been adopted earlier by the municipality:

GRAP 18	Segment Reporting Effective date unknown
GRAP 20	Related Party Disclosures (Revised)
GRAP 32	Service Concession Arrangement Grantor - issued December 2009
GRAP 34	Separate Financial Statements
GRAP 38	Disclosure of Interests in Other Entities
GRAP 108	Statutory Receivables - issued December 2009
GRAP 109	Accounting by Principals and Agents
GRAP 110	Living and Non-Living Resources

No significant impact is expected on the adoption of the above mentioned standards.

HESSEQUA LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS **FOR THE YEAR ENDED 30 JUNE 2017**

The ASB Directive 5 paragraph 29 sets out the principles for the application of the GRAP 3 guidelines in the determination of the GRAP Reporting Framework hierarchy, as set out in the standard of GRAP 3 on Accounting Policies, Changes in Accounting Estimates and Errors.

Where a standard of GRAP is approved as effective, it replaces the equivalent statement of the International Public Sector Accounting Standards Board, International Financial Reporting Standards or Generally Accepted Accounting Principles. Where a standard of GRAP has been issued, but is not yet in effect, a municipality may select to apply the principles established in that standard in developing an appropriate accounting policy dealing with a particular section or event before applying paragraph 12 of the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

The municipality applied the principles established in the following Standards of GRAP that have been issued but are not yet effective, in developing appropriate Accounting Policies dealing with the following transactions, but have not early adopted these Standards:

- GRAP 20 Related Party Disclosures (Revised)
- GRAP 110 Living and Non-Living Resources

Management has considered all of the above-mentioned GRAP standards issued, but not yet effective, and anticipates that the adoption of these standards will not have a significant impact on the financial position, financial performance or cash flows of the municipality.

HESSEQUA LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS **FOR THE YEAR ENDED 30 JUNE 2017**

2. ACCUMULATED SURPLUS

Included in the accumulated surplus of the municipality, are the following reserves that are maintained in terms of specific requirements:

2. 1 Housing development fund/Housing operating account

Sections 15(5) and 16 of the Housing Act, (Act No. 107 of 1997), which came into operation on 1 April 1998, required that the Municipality maintains a separate housing operating account. This legislated separate operating account is known as the Housing Development Fund.

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from national and provincial government used to finance housing selling schemes undertaken by the Municipality were extinguished on 1 April 1998 and transferred to a Housing Development Fund. Housing selling schemes, both complete and in progress as at 1 April 1998, were also transferred to the Housing Development Fund. In terms of the Housing Act, all proceeds from housing developments, which include rental income and sale of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

The following provisions are set for the creation and utilisation of the Housing Development Fund:

- The Housing Development Fund is cash-backed, and invested in accordance with the investment policy of the Municipality.
- The proceeds in this fund are utilised for housing development in accordance with the National Housing Policy, and also for housing development projects approved by the MEC for Human Settlements.
- Any contributions to or from the fund are shown as transfers in the Statement of Changes in Net Assets.
- Interest earned on the investments of the fund is disclosed as interest earned in the Statement of Financial Performance.

2. 2 Trust Funds

The following trust funds exist in the municipality:

2. 2. 1 *Development Fund for the Maintenance and Operation of Nature Areas in Still Bay*

This fund was established in terms of section 76.2 of the Municipal Ordinance, 1974 (Ordinance 20 of 1974) with the sanction of the Premier on 14 August 1998.

2. 2. 2 *Elsje Koorts Tuberculosis Fund*

This fund was established in terms of clause 4 of the last will and testament of the late Elsje Koorts, and states inter alia that "the remainder of my estate will be used for the treatment of tuberculosis cases in Riversdale..."

Subsequent interest earned on the invested funds are accounted for using the accrual basis and are added to the carrying amount of trust funds. The accrued interest is utilised as per the trust funds conditions as set out above.

These funds are invested in a ring fenced investment account.

HESSEQUA LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS **FOR THE YEAR ENDED 30 JUNE 2017**

3. PROPERTY, PLANT AND EQUIPMENT

3. 1 Initial Recognition

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used for more than one year.

The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the municipality, and if the cost or fair value of the item can be measured reliably.

Property, plant and equipment is initially recognised at cost on its acquisition date or in the case of assets acquired by grants or donations, deemed cost, being the fair value of the asset on initial recognition. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

The cost of an item of property, plant and equipment acquired in exchange for non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

Repairs and maintenance are expenses incurred through servicing equipment or repairing of existing assets. These expenses are not recognised in the carrying value of the asset, but directly recognised in the Statement of Financial Performance and measured at cost against the attributing segments of the Municipal Standard Chart of Accounts (mSCOA).

3. 2 Subsequent Cost and Subsequent Measurement

Subsequent expenditure relating to property, plant and equipment is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the municipality and the cost or fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Subsequently, property plant and equipment, including Infrastructure Assets, are measured at cost (or deemed cost), less accumulated depreciation and accumulated impairment losses.

Compensation from third parties for items of Property, Plant and Equipment that were impaired, lost or given up is included in the Statement of Financial Performance when the compensation becomes receivable.

3. 3 Depreciation

Land is not depreciated as it is regarded as having an unlimited life. Depreciation on assets other than land is calculated on cost, using the straight line method, to allocate their cost to their residual values over the estimated useful lives of the assets. The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. Components of assets that are significant in relation to the whole asset, and that have different useful lives are depreciated separately. The depreciation charge is recognised in the Statement of Financial Performance.

Depreciation only commences when the asset is available for use, unless stated otherwise.

The depreciation rates are based on the following estimated useful lives:

HESSEQUA LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

3. PROPERTY, PLANT AND EQUIPMENT (continued)

	Years		Years
Infrastructure		Buildings	
Roads and Paving	10 - 100		5 - 50
Electricity	8 - 57	Other	
Water	8 - 100	Emergency equipment	2 - 30
Sewerage	7 - 100	Plant and equipment	1 - 20
Landfill Sites	10 - 36	Motor vehicles	4 - 23
		Office equipment	1 - 23
Community		Security equipment	5
Recreational Facilities	6 - 147	Land-fill site	8 - 18

The municipality reviews the estimates of the useful lives in accordance with Accounting Policy 8, Estimation of Useful Lives.

Reviewing the useful life of an asset on an annual basis does not require the municipality to amend the previous estimate unless expectations differ from the previous estimate.

3. 4 Work in Progress

Work in Progress is stated at historical cost. Depreciation only commences when the asset is available for use.

3. 5 Finance Leases

Assets capitalised under finance leases are depreciated over their expected useful lives on the same basis as Property, Plant and Equipment controlled by the municipality or where shorter, the term of the relevant lease if there is no reasonable certainty that the municipality will obtain ownership by the end of the lease term.

3. 6 Land

Land is stated at historical cost and is not depreciated as it is deemed to have an indefinite useful life.

3. 7 Infrastructure Assets

Infrastructure Assets are any assets that are part of a network of similar assets. Infrastructure Assets are shown at cost less accumulated depreciation and accumulated impairment. Infrastructure assets are treated similarly to all other assets of the municipality in terms of the asset management policy.

3. 8 Housing Development Fund Assets

The Housing Development Fund contains letting schemes that is included in Council's Property, Plant and Equipment. All surpluses generated from the letting schemes are transferred to the Housing Development Fund.

3. 9 Derecognition of property, plant and equipment

The carrying amount of an item of property, plant and equipment is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. Gains are not classified as revenue.

Gains or losses are calculated as the difference between the carrying value of assets (cost less accumulated depreciation and accumulated impairment losses) and the disposal proceeds and is included in the Statement of Financial Performance as a gain or loss on disposal of property, plant and equipment.

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

4. Heritage Assets

A heritage asset is defined as an asset that has a cultural, environmental, historical, natural, scientific, technological or artistic significance, and is held and preserved indefinitely for the benefit of present and future generations.

Heritage Assets are not depreciated owing to uncertainty regarding their estimated useful lives. The municipality assesses at each reporting date if there is an indication of impairment.

4. 1 Initial Recognition

The cost of an item of heritage assets is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the municipality, and if the cost or fair value of the item can be measured reliably.

Heritage assets are initially recognised at cost on its acquisition date or in the case of assets acquired by grant or donation, deemed cost, being the fair value of the asset on initial recognition. The cost of an item of heritage assets is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

The cost of an item of heritage assets acquired in exchange for non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up.

4. 2 Subsequent Measurement

Subsequent expenditure relating to heritage assets is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the municipality and the cost or fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Subsequently, all heritage assets are measured at cost, less accumulated impairment losses. Heritage assets are not depreciated.

Heritage assets are tested annually for impairment. Where items of heritage assets have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified. The impairment loss is the difference between the carrying amount and the recoverable amount.

4. 3 Derecognition of Heritage assets

The carrying amount of an item of heritage assets is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of an item of heritage assets is included in surplus or deficit when the item is derecognised.

Gains or losses are calculated as the difference between the carrying value of assets (cost less accumulated impairment losses) and the disposal proceeds, and is included in the Statement of Financial Performance as a gain or loss on disposal of heritage assets.

HESSEQUA LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS **FOR THE YEAR ENDED 30 JUNE 2017**

5. INTANGIBLE ASSETS

5. 1 Initial Recognition

Identifiable non-monetary assets without physical substance are classified and recognised as intangible assets. The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is recognised as an expense when incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when the following criteria are fulfilled:

- it is technically feasible to complete the intangible asset so that it will be available for use;
- management intends to complete the intangible asset and use or sell it;
- there is an ability to use or sell the intangible asset;
- it can be demonstrated how the intangible asset will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available; and
- the expenditure attributable to the intangible asset during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use on a straight-line basis over its useful life. Development assets are tested for impairment annually, in accordance with GRAP 21 / GRAP 26.

Intangible assets are initially recognised at cost. The cost of an intangible asset is the purchase price and other costs attributable to bring the intangible asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Where an intangible asset is acquired at no cost, or for a nominal cost, the cost shall be its fair value as at the date of acquisition. Trade discounts and rebates are deducted in arriving at the cost. Intangible assets acquired separately or internally generated are reported at cost less accumulated amortisation and accumulated impairment losses. Where an intangible asset is acquired at no cost or for a nominal consideration, its cost is its fair value as at the date it is acquired. Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

Repairs and maintenance are expenses incurred through servicing equipment or repairing of existing assets. These expenses are not recognised in the carrying value of the asset, but directly recognised in the Statement of Financial Performance and measured at cost against the attributing segments of the Municipal Standard Chart of Accounts (mSCOA).

5. 2 Subsequent Measurement, Amortisation and Impairment

After initial recognition, an intangible asset is carried at its cost less any accumulated amortisation and any accumulated impairment losses.

Expenditure on an intangible item that was initially recognised as an expense shall not be recognised as part of the cost of an Intangible Asset at a later date.

In terms of GRAP 31, intangible assets are distinguished between internally generated intangible assets and other intangible assets. It is further distinguished between indefinite or finite useful lives. Amortisation is charged on a straight-line basis over finite intangible assets' useful lives, which are estimated to be 30 years. The residual value of assets with finite useful lives is zero, unless an active market exists. Where intangible assets are deemed to have an indefinite useful life, such intangible assets are not amortised. For example servitudes obtained by the municipality give the municipality access to land for specific purposes for an unlimited period - however, such intangible assets are subject to an annual impairment test.

Amortisation only commences when the asset is available for use, unless stated otherwise.

Intangible assets are tested annually for impairment, including intangible assets not yet available for use. Intangible assets with an indefinite useful life are tested for impairment whenever there are indications of impairment. Where items of intangible assets have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified. The impairment loss is the difference between the carrying amount and the recoverable amount.

The municipality reviews the estimates of the useful lives in accordance with Accounting Policy 8, Estimation of Useful Lives.

Any adjustments arising from the annual review are applied prospectively as a change in accounting estimate in the Statement of Financial Performance.

HESSEQUA LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS **FOR THE YEAR ENDED 30 JUNE 2017**

5. INTANGIBLE ASSETS (continued)

5. 3 Derecognition

Intangible assets are derecognised when the asset is disposed of, or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the net disposal proceeds and the carrying value, and is recognised in the Statement of Financial Performance.

6. INVESTMENT PROPERTY

6. 1 Initial Recognition

Investment property includes property (land or a building, or part of a building, or both land or buildings held under a finance lease in the capacity as lessee and where it is being sublet) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

The cost of self-constructed investment property is the cost at date of completion.

Based on management's judgement, the following criteria has been applied to distinguish investment properties from owner occupied property or property held for resale:

- Land held for long-term capital appreciation rather than for short-term sale in the ordinary course of operations;
- Land held for a currently undetermined future use (If the municipality has not determined that it will use the land as owner-occupied property or for short-term sale in the ordinary course of operations, the land is regarded as held for capital appreciation);
- A building owned by the municipality (or held by the municipality under a finance lease) and leased out under one or more operating leases on a commercial basis (this will include the property portfolio rented out on a commercial basis on behalf of the municipality);
- A property owned by the municipality and leased out at a below market rental; and
- Property that is being constructed or developed for future use as investment property.

The rent earned does not have to be at a commercial basis or market related for the property to be classified as investment property.

The following assets do not fall in the ambit of Investment Property and shall be classified as Property, Plant and Equipment, Inventory or Assets Classified as Held for Sale, as appropriate:

- Property intended for sale in the ordinary course of operations or in the process of construction or development for such sale;
- Property being constructed or developed on behalf of third parties;
- Owner-occupied property, including (inter alia) property held for future use as owner-occupied property, property held for future development and subsequent use as owner-occupied property, property occupied by employees such as housing for personnel (whether or not the employees pay rent at market rates) and owner-occupied property awaiting disposal;
- Property that is leased to another entity under a finance lease;
- Property held to provide a social service and which also generates cash inflows, e.g. property rented out below market rental to sporting bodies, schools, low income families, etc; and
- Property held for strategic purposes or service delivery.

Repairs and maintenance are expenses incurred through servicing equipment or repairing of existing assets. These expenses are not recognised in the carrying value of the asset, but directly recognised in the Statement of Financial Performance and measured at cost against the attributing segments of the Municipal Standard Chart of Accounts (mSCOA).

If the Municipality determines that the fair value of an investment property under construction is not reliably measurable but expects the fair value to be reliably measurable when construction is completed, it measures that investment property at cost until the fair value can be reliably determined or construction has been completed.

Where the Municipality has determined that the fair value of an investment property (other than investment property under construction) is not determinable on a continuing basis, the municipality measures that investment property using the cost model (as per the accounting policy for property, plant and equipment).

HESSEQUA LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS **FOR THE YEAR ENDED 30 JUNE 2017**

6. INVESTMENT PROPERTY (continued)

6. 2 Subsequent Measurement - Fair Value Model

Investment property is measured using the fair value model. Investment property is carried at fair value, representing open market value determined annually by external valuers at the reporting date. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. A gain or loss arising from a change in the fair value of investment property is included in surplus or deficit for the period in which it arises.

If the municipality determines that the fair value of an Investment Property under construction is not reliably measurable but expects the fair value to be reliably measurable when construction is completed, it measures that Investment Property at cost until the fair value can be reliably determined or construction has been completed.

Where the municipality has determined that the fair value of an Investment Property (other than Investment Property under construction) is not determinable on a continuing basis, the municipality measures that Investment Property using the cost model (as per the Accounting Policy for Property, Plant and Equipment).

6. 3 Derecognition

An investment property shall be derecognised (eliminated from the statement of financial position) on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential is expected from its disposal.

7. IMPAIRMENT OF ASSETS

The municipality classifies all assets held with the primary objective of generating a commercial return as cash-generating assets. All other assets are classified as non-cash-generating assets.

7. 1. Impairment of Cash generating assets

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the individual asset.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use. The best evidence of fair value less cost to sell is the price in a binding sale agreement in an arms length transaction, adjusted for the incremental cost that would be directly attributable to the disposal of the asset.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

Any impairment loss of a revalued asset reduces the Revaluation Surplus for that asset. The decrease shall be debited directly to a Revaluation Surplus to the extent of any credit balance existing in the Revaluation Surplus in respect of that asset.

An impairment loss is recognised for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

- to the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in the Statement of Financial Performance. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase and would be credited directly against the Revaluation Surplus to the extent of any previous impairments recognised against said reserve in respect of that asset.

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

7. 2. *Impairment of Non-Cash generating assets*

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the cash-generating unit to which the asset belongs is determined.

The recoverable service amount is the higher of a non-cash generating asset's fair value less costs to sell and its value in use. The value in use for a non-cash generating asset is the present value of the asset's remaining service potential.

The present value of the remaining service potential of the asset is determined using any one of the following approaches:

- Depreciated replacement cost approach;
- Restoration cost approach;
- Service units approach.

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in the Statement of Financial Performance. Any impairment loss of a revalued asset reduces the Revaluation Surplus for that asset. The decrease shall be debited directly to a Revaluation Surplus to the extent of any credit balance existing in the Revaluation Surplus in respect of that asset.

An impairment loss is recognised for non cash-generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

- To the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in the Statement of Financial Performance. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase and would be credited directly against the Revaluation Surplus to the extent of any previous impairments recognised against said reserve in respect of that asset.

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

8. ESTIMATION OF USEFUL LIVES

The municipality depreciates its assets over the estimated useful lives.

The useful live of an asset is defined as:

- The period over which an asset is expected to be available for use by an municipality, or
- The number of production or similar units expected to be obtained from the asset by the municipality.

The municipality assesses at each reporting date whether there is any indication that the useful live of an asset has changed. If any such indication exists the useful live is changed.

Any change in the useful live is accounted for as change in estimate in accordance with GRAP 3 (*Accounting policies, change in accounting estimates and errors*)

Annually the municipality considers whether there have been any indication that the initial useful lives of assets needs to be revised. The municipality considers the following during the assessment of its assets' useful lives. Whether:

- (a) The composition of the asset has changed,
- (b) The use of the asset has changed because of the following:
 - (i) The municipality has changed the manner in which the asset is used;
 - (ii) The municipality has changed the utilisation rate of the asset;
 - (iii) The municipality has made the decision to dispose of the asset during a future reporting reporting period which results in a change in the useful life of the asset;
 - (iv) Technological, environmental or commercial changes occurred during the reporting period that will change the use of the asset;
 - (v) The asset was idle or retired during the current reporting period.
- (c) The asset is approaching its previously expected useful life,
- (d) There is evidence that the condition of the asset improved or declined based on assessments undertaken during the reporting period,
- (e) The asset is assessed as being impaired in accordance with the Accounting Policy 7.1 and 7.2 on Impairment of Assets.

A decrease in the estimated useful life of an asset is accounted for as an impairment in the Statement of Financial Performance.

The impairment of an asset is accounted for in accordance with Accounting policy 7.1 and 7.2 on Impairment of Assets.

The estimation of the useful lives of the municipality's assets is a matter of judgement based on the experience of the municipality with similar assets. The municipality considers all facts and circumstances in estimating the useful lives of assets, which includes the consideration of financial, technical and other factors.

9. FINANCIAL INSTRUMENTS

The municipality has various types of financial instruments and these can be broadly categorised as either Financial Assets, Financial Liabilities or Residual Interests in accordance with the substance of the contractual agreement. The municipality only recognises a financial instrument when it becomes a party to the contractual provisions of the instrument.

Initial recognition

Financial assets and financial liabilities are recognised in the municipality's Statement of Financial Position when the municipality becomes party to the contractual provisions of the instrument.

The municipality does not offset a financial asset and a financial liability unless a legally enforceable right to set off the recognised amounts currently exists; and the municipality intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Fair value methods and assumptions

The fair values of financial instruments are determined as follows:

- The fair values of quoted investments are based on current bid prices.

If the market for a financial asset is not active (and for unlisted securities), the municipality establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

The effective interest rate method

The effective interest rate method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

HESSEQUA LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS **FOR THE YEAR ENDED 30 JUNE 2017**

9. FINANCIAL INSTRUMENTS (continued)

Amortised cost

Amortised cost is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest rate method of any difference between that initial amount and the maturity amount, and minus any reduction for impairment or uncollectibility.

9. 1 Financial Assets - Classification

A financial asset is any asset that represents cash or contractual right to receive cash or another financial asset from another entity.

In accordance with GRAP 104 the Financial Assets of the municipality are classified as follows into the three categories allowed by this standard:

- **Financial assets at amortised cost** are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months, which are classified as non-current assets. Financial assets at amortised cost are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. After initial recognition, Financial Assets are measured at amortised cost, using the effective interest rate method less a provision for impairment.
- **Financial assets measured at fair value** are financial assets that meet either of the following conditions:
 - (a) derivatives;
 - (b) combined instruments that are designated at fair value
 - (c) instruments held for trading.
 - (d) non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; or
 - (e) financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.
- **Financial assets measured at cost** are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

The municipality has the following types of financial assets as reflected on the face of the Statement of Financial Position or in the notes thereto:

Type of Financial Asset	Classification in terms of GRAP 104
Bank, Cash and Cash Equivalents – Call Deposits	Financial assets at amortised cost
Bank, Cash and Cash Equivalents – Cash	Financial assets at fair value
Bank, Cash and Cash Equivalents – Bank	Financial assets at amortised cost
Operating Lease Receivables	Financial assets at amortised cost
Long-term Receivables	Financial assets at amortised cost
Current Portion of Long-term Receivables	Financial assets at amortised cost
Trade receivables from exchange transactions	Financial assets at amortised cost
Trade receivables from non-exchange transactions	Financial assets at amortised cost
Investments in Fixed Deposits	Financial assets at amortised cost

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash, that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the Cash Flow Statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: Financial assets at amortised cost.

9. 2 Financial Liabilities - Classification

A financial liability is a contractual obligation to deliver cash or another financial asset to another entity.

There are three main categories of *Financial Liabilities*, the classification determining how they are measured. Financial liabilities may be measured at:

- (i) Financial liabilities measured at fair value;
- (ii) Financial liabilities measured at amortised cost; or
- (iii) Financial liabilities measured at cost.

HESSEQUA LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 30 JUNE 2017

9. FINANCIAL INSTRUMENTS (continued)

9. 2 Financial Liabilities - Classification (continued)

The municipality has the following types of financial liabilities as reflected on the face of the Statement of Financial Position or in the notes thereto:

Type of Financial Liability	Classification in terms of GRAP 104
Long term liabilities	Financial liability at amortised cost
Other creditors	Financial liability at amortised cost
Bank overdraft	Financial liability at amortised cost
Short term loans	Financial liability at amortised cost
Current portion of long term liabilities	Financial liability at amortised cost

Financial Liabilities that are measured at Fair Value are Financial Liabilities that are essentially held for trading (i.e. purchased with the intention to sell or repurchase in the short term; derivatives other than hedging instruments or are part of a portfolio of Financial Instruments where there is recent actual evidence of short-term profiteering or are derivatives).

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdrafts are expensed as incurred.

9. 3 Initial and Subsequent Measurement

9. 3. 1 Financial Assets:

Financial Assets measured at Amortised Cost

Financial assets at Amortised cost are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. Subsequently, these assets are measured at amortised cost using the Effective Interest Method less any impairment, with interest recognised on an effective yield basis.

Trade and other receivables (excluding Value Added Taxation, prepayments and operating lease receivables), loans to Municipality entities and loans that have fixed and determinable payments that are not quoted in an active market are classified as *Financial assets at Amortised cost*.

Financial Assets measured at Fair Value

Financial Assets at Fair Value are initially measured at fair value, excluding directly attributable transaction costs. They are subsequently measured at fair value with unrealised gains or losses recognised directly in the Statement of Financial Performance.

9. 3. 2 Financial Liabilities:

Financial liabilities

Financial liabilities are initially measured at fair value. Subsequently financial liabilities are measured at amortised cost.

Financial Liabilities held at amortised cost

Any other financial liabilities are classified as "Other financial liabilities" (All payables, loans and borrowings are classified as other liabilities) and are initially measured at fair value, net of transaction costs. Trade and other payables, interest bearing debt including finance lease liabilities, non-interest bearing debt and bank borrowings are subsequently measured at amortised cost using the effective interest rate method. Interest expense is recognised in the Statement of Financial Performance by applying the effective interest rate.

Bank borrowings, consisting of interest-bearing short-term bank loans, repayable on demand and overdrafts are recorded as the proceeds received. Finance costs are accounted for using the accrual basis and are added to the carrying amount of the bank borrowing to the extent that they are not settled in the period that they arise.

Prepayments are carried at cost less any accumulated impairment losses.

9. 4 Impairment of Financial Assets

Financial assets, other than those at fair value, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence of impairment of Financial Assets (such as the probability of insolvency or significant financial difficulties of the debtor). If there is such evidence the recoverable amount is estimated and an impairment loss is recognised in accordance with GRAP 104.

HESSEQUA LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS **FOR THE YEAR ENDED 30 JUNE 2017**

9. FINANCIAL INSTRUMENTS (continued)

9. 4 Impairment of Financial Assets (continued)

Financial assets carried at amortised cost

Accounts receivable encompasses Long-term Debtors, Receivables from Exchange Transactions (Consumer Debtors) and Receivables from Non-exchange Transactions (Other Debtors).

Initially Accounts Receivable are valued at fair value and subsequently carried at amortised cost using the Effective interest rate method. An estimate is made for doubtful debt based on past default experience of all outstanding amounts at year-end. Bad debts are written off in the year in which they are identified as irrecoverable. Amounts receivable within 12 months from the date of reporting are classified as current.

A provision for impairment of accounts receivable is established when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of receivables. The provision is made in accordance with GRAP 104 whereby the recoverability of accounts receivable is assessed individually and then collectively after grouping the assets in financial assets with similar credit risk characteristics. The amount of the provision is the difference between the financial asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Cash flows relating to short-term receivables are not discounted where the effect of discounting is immaterial.

Government accounts are not provided for as such accounts are regarded as receivable.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets carried at amortised cost with the exception of consumer debtors, where the carrying amount is reduced through the use of an allowance account. When a consumer debtor is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against revenue. Changes in the carrying amount of the allowance account are recognised in the Statement of Financial Performance.

Impairment of Financial Assets measured at cost

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses shall not be reversed.

9. 5 Derecognition of Financial Assets

The municipality derecognises Financial Assets only when the contractual rights to the cash flows from the asset expire or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity, except when Council approves the write-off of Financial Assets due to non recoverability.

If the municipality neither transfers nor retains substantially, all the risks and rewards of ownership, and continues to control the transferred asset, the municipality recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the municipality retains substantially all the risks and rewards of ownership of a transferred financial asset, the municipality continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

HESSEQUA LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS **FOR THE YEAR ENDED 30 JUNE 2017**

FINANCIAL INSTRUMENTS (continued)

9. 6 Derecognition of Financial Liabilities

The municipality derecognises Financial Liabilities when, and only when, the municipality's obligations are discharged, cancelled or they expire.

The municipality recognises the difference between the carrying amount of the financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, in the Statement of Financial Performance.

10. RISK MANAGEMENT OF FINANCIAL ASSETS AND LIABILITIES

It is the policy of the municipality to disclose information that enables the user of its financial statements to evaluate the nature and extent of risks arising from financial instruments to which the municipality is exposed on the reporting date.

The Municipality has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk

Risks and exposure are disclosed as follows:

Market Risk

- Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices that will affect the Municipality's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.
- The maximum exposure to cash flow and fair value risk, price risk and foreign currency risk.
- Sensitivity analysis for each of the market risks

Credit Risk

- Credit risk is the risk of financial loss to the Municipality if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Municipality's receivables from customers.
- Each class of financial instrument is disclosed separately.
- Maximum exposure to credit risk not covered by collateral is specified.
- Financial instruments covered by collateral are specified.

Liquidity Risk

- Liquidity risk is the risk that the Municipality will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Municipality's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Municipality's reputation.
- A maturity analysis for financial assets and liabilities that shows the remaining contractual maturities.
- Liquidity risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timeous basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met.
- A maturity analysis for financial liabilities (where applicable) that shows the remaining undiscounted contractual maturities is disclosed in note 51.8 to the annual financial statements.

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

11. INVENTORIES

11. 1 Initial Recognition

Inventories comprise current assets held for sale and current assets for consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventory is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

Direct costs relating to properties that will be sold as inventory are accumulated for each separately identifiable development. Costs also includes a proportion of overhead costs.

11. 2 Subsequent Measurement

Consumable stores, raw materials, work-in-progress and finished goods

Consumable stores, raw materials, work-in-progress and finished goods are valued at the lower of cost and net realisable value (net amount that a municipality expects to realise from the sale on inventory in the ordinary course of business). In general, the basis of determining cost is the weighted average cost of commodities. If inventories are to be distributed at no charge or for a nominal charge they are valued at the lower of cost and current replacement cost.

Water inventory

Water is regarded as inventory when the municipality purchases water in bulk with the intention to resell it to the consumers or to use it internally, or where the municipality has incurred purification costs on water obtained from natural resources (rain, rivers, springs, boreholes etc.). However, water in dams, that are filled by natural resources and that has not yet been treated, and is under the control of the municipality but cannot be measured reliably as there is no cost attached to the water, is therefore not recognised in the statement of financial position.

The basis of determining the cost of water purchased and not yet sold at statement of financial position date, comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventory to its present location and condition, net of trade discounts and rebates.

Water and purified effluent are valued by using the weighted average method, at the lowest of purified cost and net realisable value, insofar as it is stored and controlled in reservoirs at year-end.

Unsold properties

Unsold properties are valued at the lower of cost and net realisable value on a weighted average cost basis. Direct costs are accumulated for each separately identifiable development. Cost also includes a portion of overhead costs, if this relates to development.

Redundant and slow-moving inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values and sold by public auction. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arise. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

HESSEQUA LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS **FOR THE YEAR ENDED 30 JUNE 2017**

12. REVENUE RECOGNITION

12. 1 General

Revenue, excluding value-added taxation where applicable, is derived from a variety of sources which include rates levied, grants from other tiers of government and revenue from trading activities and other services provided. Revenue is recognised when it is probable that future economic benefits or service potential will flow to the municipality, and these benefits can be measured reliably, except when specifically stated otherwise.

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the municipality's activities. Revenue is reduced for estimated customer returns, stock rotation, price protection, rebates and other similar allowances. Revenue is shown net of value-added tax, returns, rebates and discounts.

The municipality recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the municipality and when specific criteria have been met for each of the municipalities' activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The municipality bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. Furthermore services rendered are recognised by reference to the stage of completion of the transaction at the reporting date.

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximate equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

12. 2 Revenue from Exchange Transactions

12. 2. 1 Service Charges

Service charges relating to solid waste, sanitation and sewage are levied in terms of the approved tariffs.

Service charges relating to electricity and water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption, based on the consumption history, are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced, except at year-end when estimates of consumption up to year-end are recorded as revenue without being invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the number of refuse containers on each property, regardless of whether or not all containers are emptied during the month.

Service charges from sewerage and sanitation are based on the type of service and the number of sewer connections on all developed property, using the tariffs approved by Council and are levied monthly.

In circumstances where services cannot readily be measured and quantified, a flat rate service charge is levied monthly on such properties.

12. 2. 2 Pre-paid Electricity

Revenue from the sale of electricity prepaid meter cards are recognised at the point of sale. Revenue from the sale of electricity prepaid meter cards are recognised based on an estimate of the prepaid electricity consumed as at the reporting date.

12. 2. 3 Finance income

Interest earned on investments is recognised in the Statement of Financial Performance on the time proportionate basis that takes into account the effective yield on the investment.

Interest earned on the following investments is not recognised in the Statement of Financial Performance:

- Interest earned on trust funds is allocated directly to the fund.
- Interest earned on unutilised conditional grants is allocated directly to the creditor: unutilised conditional grants, if the grant conditions indicate that interest is payable to the funder.

HESSEQUA LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS **FOR THE YEAR ENDED 30 JUNE 2017**

12. REVENUE RECOGNITION (continued)

12. 2. 4 *Tariff Charges*

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant authorised tariff. This includes the issuing of licences and permits.

12. 2. 5 *Income from Agency Services*

Income for agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of the agency agreement.

12. 2. 6 *Sale of Goods (including Houses)*

Revenue from the sale of goods is recognised when all the following conditions have been met:

- The municipality has transferred to the buyer the significant risks and rewards of ownership of the goods.
- The municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.
- The amount of revenue can be measured reliably.
- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality.
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

12. 2. 7 *Rentals*

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

12. 3 Revenue from Non-exchange Transactions

An inflow of resources from a non-exchange transaction, that meets the definition of an asset shall be recognised as an asset when it is probable that the future economic benefits or service potential associated with the asset will flow to the municipality and the fair value of the asset can be measured reliably. The asset shall be recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

A present obligation arising from a non-exchange transaction that meets the definition of a liability will be recognised as a liability when it is probable that an outflow of economic benefit will be required to settle the obligation and a reliable estimate of the amount can be made.

12. 3. 1 *Rates and Taxes*

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportion basis with reference to the principal amount receivable and effective interest rate applicable. A composite rating system charging different rate tariffs is employed. Rebates are granted to certain categories of ratepayers and are deducted from revenue.

HESSEQUA LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

12. REVENUE RECOGNITION (continued)

12. 3. 2 Fines

Fines constitute both spot fines and summonses. Revenue from the issuing of fines is recognised when it is probable that the economic benefits or service potential will flow to the municipality and the amount of the revenue can be measured reliably.

Revenue for fines is recognised when the fine is issued at the full amount of the receivable, considering the allowance in terms of IGRAP 1 to use estimates to determine the amount of revenue that the municipality is entitled to collect.

Assessing and recognising impairment is an event that takes place subsequent to the initial recognition of revenue charged. The municipality assesses the probability of collecting revenue when accounts fall into arrears. Such an assessment is not made at the time of initial recognition.

Subsequent to initial recognition and measurement, the collectability of the revenue is assessed and an impairment loss is recognised where appropriate.

There is uncertainty regarding the probability of the flow of economic benefits or service potential in respect of spot fines as these fines are usually not given directly to an offender. Further legal processes have to be undertaken before the spot fine is enforceable. In respect of summonses the public prosecutor can decide whether to waive the fine, reduce it or prosecute for non-payment by the offender.

An estimate is made for revenue from spot fines and summonses based on past experience of amounts collected. Where a reliable estimate cannot be made of revenue from summonses, the revenue is recognised when the public prosecutor pays the cash collected over to the municipality.

12. 3. 3 Public contributions

Donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of non-compliance to these stipulations and would be enforced by the transferor, a liability is recognised to the extent that the criteria, conditions or obligations have not been met. Where such requirements are not enforceable, or where past experience has indicated that the transferor has never enforced the requirement to return the transferred asset, other future economic benefits or service potential when breaches have occurred, the stipulation will be considered a restriction and is recognised as revenue.

Revenue from public contributions is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment are brought into use.

Assets acquired in non-exchange transactions are measured at fair value in accordance with the Standards of GRAP.

12. 3. 4 Other Donations and Contributions

Donations are recognised on a cash receipt basis or where the donation is in the form of property, plant and equipment, when such items of property, plant and equipment are under the control of the municipality.

12. 3. 5 Revenue from Recovery of Unauthorised, Irregular, Fruitless and Wasteful Expenditure

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain. Such revenue is based on legislated procedures.

HESSEQUA LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS **FOR THE YEAR ENDED 30 JUNE 2017**

13. CONDITIONAL GRANTS AND RECEIPTS

Equitable share allocations are recognised in revenue at the start of the financial year if no time-based restrictions exist.

Conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of non-compliance to these stipulations and would be enforced by the transferor, a liability is recognised to the extent that the criteria, conditions or obligations have not been met. Where such requirements are not enforceable, or where past experience has indicated that the transferor has never enforced the requirement to return the transferred asset, other future economic benefits or service potential when breaches have occurred, the stipulation will be considered a restriction and is recognised as revenue.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the municipality with no future related costs are recognised in the Statement of Financial Performance in the period in which they become receivable.

Revenue is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment are brought into use.

Interest earned on investments is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor and if it is the municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

14. PROVISIONS

Provisions are recognised when the municipality has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, and a reliable estimate can be made of the obligation.

The best estimate of the expenditure required to settle the present obligation is the amount that the municipality would rationally pay to settle the obligation at the reporting date or to transfer it to a third party at that time, and are determined by the judgment of the management of the municipality, supplemented by experience of similar transactions and, in some cases, reports from independent experts. The evidence considered includes any additional evidence provided by events after the reporting date. Uncertainties surrounding the amount to be recognised as a provision are dealt with by various means according to the circumstances. Where the provision being measured involves a large population of items, the obligation is estimated by weighting all possible outcomes by their associated probabilities.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision. An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it - this unavoidable cost resulting from the contract is the amount of the provision to be recognised.

Provisions are reviewed at reporting date and the amount of a provision is the present value of the expenditure expected to be required to settle the obligation. When the effect of discounting is material, provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value of money. The impact of the periodic unwinding of the discount is recognised in the Statement of Financial Performance as a finance cost as it occurs.

HESSEQUA LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS **FOR THE YEAR ENDED 30 JUNE 2017**

14. PROVISIONS (Continued)

Provision for Restructuring cost

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

- (a) The municipality has a detailed formal plan for the restructuring identifying at least:
- the business or part of a business concerned; □
 - the principal locations affected;
 - the location, function, and approximate number of employees who will be compensated for terminating their services;
 - the expenditures that will be undertaken;
 - when the plan will be implemented; and;
- (b) The municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

Provision for Environmental Rehabilitation

Estimated long-term environmental provisions, comprising rehabilitation and landfill site closure, are based on the Municipality's policy, taking into account current technological, environmental and regulatory requirements. The provision for rehabilitation is recognised as and when the environmental liability arises. To the extent that the obligations relate to the asset, they are capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the initial related asset are charged to the Statement of Financial Performance.

15. EMPLOYEE BENEFIT LIABILITY

15. 1 Short-term Employee Benefits

Remuneration to employees is recognised in the Statement of Financial Performance as the services are rendered, except for non-accumulating benefits, which are only recognised when the specific event occurs.

The municipality treats its provision for leave pay as an accrual.

The costs of all short-term employee benefits such as leave pay, are recognised during the period in which the employee renders the related service. The liability for leave pay is based on the total accrued leave days at year end and is shown as a creditor in the Statement of Financial Position. The municipality recognises the expected cost of performance bonuses only when the municipality has a present legal or constructive obligation to make such payment and a reliable estimate can be made.

15. 2 Post employment benefits

The municipality provides retirement benefits for its employees and councillors, and has both defined benefit and defined contribution post employment plans.

15. 2. 1 Defined Contribution Plans

A **defined contribution plan** is a plan under which the municipality pays fixed contributions into a separate entity. The municipality has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to service in the current or prior periods.

The municipality's contributions to the defined contribution funds are established in terms of the rules governing those plans. Contributions are recognised in the Statement of Financial Performance in the period in which the service is rendered by the relevant employees. The municipality has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

HESSEQUA LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS **FOR THE YEAR ENDED 30 JUNE 2017**

15. EMPLOYEE BENEFITS (continued)

15. 3 Defined Benefit Plans

A **defined benefit plan** is a post-employment benefit plan other than a defined contribution plan.

15. 3. 1 *Post-retirement Health Care Benefits:*

The municipality has an obligation to provide Post-retirement Health Care Benefits to certain of its retirees. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current Conditions of Service), on retirement, is entitled to remain a continued member of the Medical Aid Fund, in which case the municipality is liable for a certain portion of the medical aid membership fee.

The defined benefit liability is the aggregate of the present value of the defined benefit obligation. The plan is unfunded. The present value of the defined benefit obligation is calculated using the *Projected Unit Credit Method*, incorporating actuarial assumptions and a discount rate based on the government bond rate. Valuations of these obligations are carried out annually by independent qualified actuaries.

The municipality recognises actuarial gains and losses in full in the period in which they occur.

Past-service costs are recognised immediately in the Statement of Financial Performance.

15. 3. 2 *Long-service Allowance*

The municipality has an obligation to provide Long-service Allowance Benefits to all of its employees. According to the rules of the Long-service Allowance Scheme, which the municipality instituted and operates, an employee (who is on the current Conditions of Service), is entitled to a cash allowance, calculated in terms of the rules of the scheme, after 10, 15, 20, 25 and 30 years of continued service. The municipality's liability is based on an actuarial valuation. The projected unit credit method has been used to value the liabilities. Actuarial gains and losses on the long-term incentives are accounted for through the statement of financial performance.

15. 3. 3 *Provincially-administered Defined Benefit Plans*

The municipality contributes to various National- and Provincial-administered Defined Benefit Plans on behalf of its qualifying employees. These funds are multi-employer funds (refer to Note 44 of the Annual Financial Statements for details). These plans are either accounted for as defined benefit plans or defined contribution plans, based on their nature as set out in note 44. The contributions to fund obligations for the payment of retirement benefits are charged against revenue in the year they become payable. These defined benefit funds are actuarially valued every three years (unless staff numbers vary materially) on the Projected Unit Credit Method basis. Deficits are recovered through lump sum payments or increased future contributions on a proportional basis from all participating municipalities.

15. 3. 4 *Defined benefit pension plans*

The municipality has an obligation to provide Post-retirement pension Benefits to certain of its retirees. Pension contributions in respect of employees who were not members of a pension fund are recognised as an expense when incurred. Staff provident funds are maintained to accommodate personnel who, due to age, cannot join or be part of the various pension funds. The Municipality contributes monthly to the funds.

The liability recognised in the Statement of Financial Position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets, together with adjustments for unrecognised past-service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

The municipality recognises actuarial gains and losses in full in the period in which they occur. Actuarial valuations are performed annually.

Past-service costs are recognised immediately in the Statement of Financial Performance.

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

16. LEASES

Lease Classification

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality.

Leases of property, plant and equipment, in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

16. 1 The Municipality as Lessee

Finance leases

Where the Municipality enters into a finance lease, Property, Plant and Equipment or Intangible Assets subject to finance lease agreements are capitalised at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. Corresponding liabilities are included in the Statement of Financial Position as Finance Lease Liabilities. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred. Lease payments are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant, equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

Operating leases

The municipality recognises operating lease rentals as an expense in the statement of financial performance on a straight-line basis over the term of the relevant lease. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

16. 2 The Municipality as Lessor

Amounts due from lessees under finance leases or instalment sale agreements are recorded as receivables at the amount of the Municipality's net investment in the leases. Finance lease or instalment sale income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Municipality's net investment outstanding in respect of the leases or instalment sale agreements.

Operating lease rental income is recognised on a straight-line basis over the term of the relevant lease.

16. 3 Determining whether an arrangement contains a lease

At inception of an arrangement, the Municipality determines whether such an arrangement is or contains a lease. A specific asset is the subject of a lease if fulfilment of the arrangement is dependent on the use of that specified asset. An arrangement conveys the right to use the asset if the arrangement conveys to the Municipality the right to control the use of the underlying asset. At inception or upon reassessment of the arrangement, the Municipality separates payments and other considerations required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Municipality concludes a finance lease that it is impracticable to separate the payments reliably, an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently the liability is reduced as payments are made and an imputed finance charge on the liability is recognised using the Municipality's incremental borrowing rate.

HESSEQUA LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS **FOR THE YEAR ENDED 30 JUNE 2017**

17. BORROWING COSTS

All borrowing costs are treated as an expense in the period in which they are incurred.

18. GRANTS-IN-AID

The municipality transfers money to individuals, organisations and other sectors of government from time to time. When making these transfers, the municipality does not:

- receive any goods or services directly in return, as would be expected in a purchase or sale transaction;
- expect to be repaid in future; or
- expect a financial return, as would be expected from an investment.

These transfers are recognised in the Statement of Financial Performance as expenses in the period that the events giving rise to the transfer occurred.

19. VALUE ADDED TAX

The Municipality is registered with SARS for VAT on the payments basis, in accordance with Sec15(2)(a) of the Value-Added Tax Act No 89 of 1991.

20. UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted for, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No 56 of 2003). The overspending on a vote constitutes unauthorised expenditure. All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

21. IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No 56 of 2003), the Municipal Systems Act (Act No 32 of 2000), the Public Office Bearers Act (Act No 20 of 1998) or is in contravention of the Municipality's or Municipal Entities' supply chain management policies. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as an expense in the Statement of Financial Performance. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

22. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

23. MATERIAL LOSSES

The MFMA requires the disclosure of material losses incurred during the year under review. The disclosure is provided in order to comply to the legislative requirements governing Municipalities and Municipal Entities.

24. CHANGES IN ACCOUNTING POLICIES, ESTIMATES AND ERRORS

Changes in accounting policies that are effected by management have been applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the change in policy. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable. Details of Changes in Accounting Policies are disclosed in the Notes to the Annual Financial Statements where applicable.

Changes in accounting estimates are applied prospectively in accordance with GRAP 3 requirements. Details of changes in estimates are disclosed in the notes to the annual financial statements where applicable.

Correction of errors is applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the error. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable. Details of Correction of Errors are disclosed in the Notes to the Annual Financial Statements where applicable.

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

25. RELATED PARTIES

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Management is regarded as a related party and comprises the councillors, Executive Mayor, Mayoral Committee members, Municipal Manager, executive directors and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager. All related party transactions not in the ordinary course of business are disclosed.

26. EVENTS AFTER THE REPORTING DATE

Events after the reporting date that are classified as adjusting events have been accounted for in the Annual Financial Statements. The events after the reporting date that are classified as non-adjusting events after the reporting date have been disclosed in the notes to the Annual Financial Statements.

27. TRANSFER OF FUNCTIONS BETWEEN ENTITIES UNDER COMMON CONTROL

Certain functions might be transferred between entities within the same sphere of government or between entities that are part of the same economic entity.

A function is an integrated set of activities that is capable of being conducted and managed for purposes of achieving an entity's objectives, either by providing economic benefits or service potential.

27.1 Initial Recognition

The assets and liabilities that qualify for recognition by the acquirer or derecognition by the transferor in a transfer of functions between entities under common control are the result of separate transactions to be accounted for in accordance with their nature and the applicable Standard of GRAP.

If a transfer of functions in effect settles a pre-existing relationship, the acquirer recognises a gain or loss, measured as follows:

(a) for a pre-existing non-contractual relationship, fair value.

(b) for a pre-existing contractual relationship, the lesser of (i) and (ii):

(i) the amount by which the binding arrangement is favourable or unfavourable from the perspective of the acquirer when compared with terms for current market transactions for the same or similar items.

(ii) the amount of any stated settlement provisions in the binding arrangement available to the counterparty to whom the contract is unfavourable.

If (ii) is less than (i), the difference is included as part of a transfer of functions accounting. The amount of gain or loss recognised may depend in part on whether the acquirer had previously recognised a related asset or liability, and the reported gain or loss therefore may differ from the amount calculated by applying the above requirements.

If the initial accounting for a merger is incomplete by the end of the reporting period in which the merger occurs, a provisional amount is recorded in the financial statements for the items for which the accounting is incomplete. During the measurement period, the provisional amounts recognised are adjusted retrospectively at the merger date to reflect new information obtained about facts and circumstances that existed as of the merger date and, if known, would have affected the measurement of the amounts recognised as of that date. The measurement period ends as soon as the combined entity receives the information it was seeking about facts and circumstances that existed as of the merger date or learns that more information is not obtainable. The measurement period shall not exceed two years from the merger date.

27.2 Subsequent Measurement

At the transfer date, the assets acquired and liabilities assumed shall be classified or designated as necessary in order to apply other Standards of GRAP subsequently. Those classifications or designations are made on the basis of the terms of the binding arrangement, economic conditions, its operating or accounting policies and other relevant conditions that exist at the transfer date.

As of the transfer date, all the assets transferred and liabilities relinquished in a transfer of functions shall be derecognised from the financial statements, at their carrying amounts.

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

28. TRANSFER OF FUNCTIONS BETWEEN ENTITIES NOT UNDER COMMON CONTROL

Certain functions might be transferred between entities not under common control.

A function is an integrated set of activities that is capable of being conducted and managed for purposes of achieving an entity's objectives, either by providing economic benefits or service potential.

28.1 Initial Recognition

Each transfer of functions between entities not under common control is accounted for by applying the acquisition method.

The acquisition method implies recognising and measuring the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree, and recognising the difference between the assets and liabilities and the consideration transferred to the seller.

The identifiable assets acquired and the liabilities assumed are initially recognised at their acquisition-date fair values.

For each transfer of functions, the acquisition date components of non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation at is measured at:

Fair value

The present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets.

All other components of non-controlling interests shall be measured at their acquisition-date fair values, unless another measurement basis is required by the Standards of GRAP.

Any difference between the assets acquired and liabilities assumed and the consideration transferred (if any) as of the acquisition date is recognised in surplus or deficit.

If the initial accounting for a merger is incomplete by the end of the reporting period in which the merger occurs, a provisional amount is recorded in the financial statements for the items for which the accounting is incomplete. During the measurement period, the provisional amounts recognised are adjusted retrospectively at the merger date to reflect new information obtained about facts and circumstances that existed as of the merger date and, if known, would have affected the measurement of the amounts recognised as of that date. The measurement period ends as soon as the combined entity receives the information it was seeking about facts and circumstances that existed as of the merger date or learns that more information is not obtainable. The measurement period shall not exceed two years from the merger date.

If a transfer of functions in effect settles a pre-existing relationship, the acquirer recognises a gain or loss, measured as follows:

- (a) for a pre-existing non-contractual relationship, fair value.
- (b) for a pre-existing contractual relationship, the lesser of (i) and (ii):

- (i) the amount by which the binding arrangement is favourable or unfavourable from the perspective of the acquirer when compared with terms for current market transactions for the same or similar items.

- (ii) the amount of any stated settlement provisions in the binding arrangement available to the counterparty to whom the contract is unfavourable.

If (ii) is less than (i), the difference is included as part of a transfer of functions accounting. The amount of gain or loss recognised may depend in part on whether the acquirer had previously recognised a related asset or liability, and the reported gain or loss therefore may differ from the amount calculated by applying the above requirements.

28.2 Subsequent Measurement

At the transfer date, the assets acquired and liabilities assumed shall be classified or designated as necessary in order to apply other Standards of GRAP subsequently. Those classifications or designations are made on the basis of the terms of the binding arrangement, economic conditions, its operating or accounting policies and other relevant conditions that exist at the transfer date.

As of the transfer date, all the assets transferred and liabilities relinquished in a transfer of functions shall be derecognised from the financial statements, at their carrying amounts.

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

29. FOREIGN CURRENCIES

Transactions in foreign currencies are translated to the functional currency of the municipality at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost and fair value in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in the Statement of Financial Performance.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Cash flows arising from transactions in a foreign currency are recorded in Rand's by applying, to the foreign currency amount, the exchange rate between the Rand and the foreign currency at the date of the cash flow.

30. COMPARATIVE INFORMATION

30. 1 Current Year Comparatives

In accordance with GRAP 1 Budgeted Amounts have been provided and forms part of the Annual Financial Statements.

30. 2 Prior year comparatives

When the presentation or classification of items in the Annual Financial Statements is amended, prior period comparative amounts are reclassified. The nature and reasons for the reclassification are disclosed.

30. 3 Budget information

The annual budget figures have been prepared in accordance with the GRAP standard and are consistent with the accounting policies adopted by the Council for the preparation of these financial statements. The amounts are scheduled as a separate additional financial statement, called the Statement of Comparison of Budget and Actual amounts. Explanatory comment is provided in the notes to the annual financial statements giving firstly reasons for overall growth or decline in the budget and secondly motivations for over- or under spending on line items. The annual budget figures included in the financial statements are for the Municipality and do not include budget information relating to subsidiaries or associates. These figures are those approved by the Council at the beginning and during the year following a period of consultation with the public as part of the Integrated development plan. The budget is approved on an accrual basis by nature classification.

The approved budget covers the period from 1 July 2016 to 30 June 2017.

31. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

Contingent liabilities represent a possible obligation that arises from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality.

A contingent liability can also arise as a result of a present obligation that arises from past events but which is not recognised as a liability either because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Contingent assets represent possible assets that arise from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in the notes to the annual financial statements.

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

32. CAPITAL COMMITMENTS

Commitments are future expenditure to which the municipality committed and that will result in the outflow of resources. Commitments are not recognised in the Statement of Financial Position as a liability or as expenditure in the Statement of Financial Performance, but are included in the disclosure notes. A distinction is made between capital and current commitments.

Capital commitments are disclosed for:

- Approved and contracted commitments, where the expenditure has been approved and the contract has been awarded at the reporting date, where disclosure is required by a specific standard of GRAP.
- Approved but not yet contracted commitments, where the expenditure has been approved and the contract has yet to be awarded or is awaiting finalisation at the reporting date.
- Items are classified as commitments where the municipality commits itself to future transactions that will normally result in the outflow of resources.
- Contracts that are entered into before the reporting date, but goods and services have not yet been received are disclosed in the disclosure notes to the financial statements.
- Other commitments for contracts can be non-cancellable or only cancellable if significant cost contracts should relate to something other than the business of the municipality.

33. TREATMENT OF ADMINISTRATION AND OTHER OVERHEAD EXPENSES

The costs of internal support services are transferred to the various services and departments to whom resources are made available.

1. GENERAL INFORMATION

Hessequa Municipality (the municipality) is a local government institution in Riversdale, Western Cape. The principal activities of the municipality are disclosed in the Annual Report and are prescribed by the Constitution.

2. INVENTORY

Restated

2.1 Stores, water and paving

Stilbaai Store - at cost	603 111	596 493
Store Heidelberg - Electrical - at cost	102 547	93 930
Public Works - Heidelberg - at cost	12 455	17 264
Riversdal Main Store	97 655	97 655
Riversdal Electrical Store	2 203 359	2 413 184
Waterworks - Heidelberg - at cost	11 049	13 681
Water Inventory - at cost	148 711	176 288
	3 178 887	3 408 495

2.2 Other

Stilbaai Books	460	921
Refuse Bins	1 508	887
Hessequa Book: Riversdal Tourism	136	136
Albertinia Municipal Office	2 715	2 715
Slangrivier - Office	679	679
Stilbaai - Office	136	136
Gouritsmond Tourism	-	-
Stilbaai Tourism	-	-
Witsand - Office	950	950
Heidelberg - Office	-	-
Mayoral Office	136	950

Total	3 185 607	3 415 870
-------	-----------	-----------

Water Inventory

The Municipality also has raw, untreated water in stock in the Olive Grove Dam of about 100 000 cubic meters. In its present form, this water stock cannot be sold and needs to be purified and therefore, it's fair value has been estimated at the direct cost of the department less cost of chemicals, divided by the kiloliters sold.

Inventories are held for own use and measured at the lower of Cost and Current Replacement Cost. No write downs of Inventory to Net Realisable Value were required.

No Inventories have been pledged as collateral for Liabilities of the municipality.

The cost of Inventories recognised as an expense during the period was R1 335 355 (2016: R886 318).

An error was corrected in the prior year due to items of inventory which were discovered at the end of the current year in The Riversdal Main Stores and Electricity Stores that were not previously accounted for. These items were already in stock at the end of the prior year. Refer to note 47.1.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017					2017	2016
					R	R
3. Trade receivables from exchange transactions	30 JUNE 2016			30 JUNE 2017		
	Gross Balance	Provision for Impairment	Net Balance	Gross Balance	Provision for Impairment	Net Balance
Service Debtors:						
Electricity	14 932 686	7 161 549	7 771 138	15 848 406	7 252 615	8 595 792
Water	7 325 709	3 513 328	3 812 381	7 823 971	3 581 032	4 242 939
Sewerage	5 639 744	2 704 758	2 934 986	6 020 613	2 755 451	3 265 162
Waste Management	3 066 549	1 470 682	1 595 867	3 359 966	1 537 754	1 822 212
Other	5 083 546	2 438 011	2 645 534	5 342 557	2 445 125	2 897 432
	36 048 234	17 288 329	18 759 905	38 395 513	17 571 976	20 823 537

Ageing of consumer debtors

Electricity, Water, Waste Management & Sewerage

Current (0 - 30 days)	17 076 102	15 878 903
<u>Past due</u>		
31 - 60 days	2 172 872	2 132 544
60 days +	1 085 215	902 633
90 days +	12 718 767	12 050 609
Total	33 052 956	30 964 689

Other

Current (0 - 30 days)	530 370	545 611
<u>Past due</u>		
31 - 60 days	333 614	222 556
60 days +	246 985	267 458
90 days +	4 231 588	4 047 920
Total	5 342 557	5 083 545

Consumer Debtors are billed monthly, normally on the 29/30th of each month. No interest is charged on trade receivables until the 1st working day of the following month. Thereafter interest is charged at a rate determined by council on the outstanding balance. A Credit Control Debt Collection and Indigent By-law has been approved by council to ensure recovery of Consumer Debtors. Exchange receivables are not secured.

The municipality receives applications for water and electricity connections that it processes. Deposits are required to be paid for all water and electricity accounts opened.

The recoverability of Consumer Debtors was determined after considering the standard terms and conditions of agreements entered into between the municipality and Consumer Debtors as well as the current payment ratio's of the municipality's Consumer Debtors. The concentration of credit risk and credit quality is limited due to the customer base being largely unrelated. Accordingly, management believes no further credit provisions or disclosures are required in excess of present allowance for impairment.

Summary of Debtors by Customer Classification

The summary of assessment Rates of Debtors by Customer Classification is included in the summary below.

	Domestic R	Industrial/ Commercial R	National and Provincial Government R	Other R
As at 30 JUNE 2017				
<u>Current:</u>				
0 - 30 days	10 401 682	5 714 860	953 755	536 176
<u>Past Due:</u>				
31 - 60 Days	1 883 041	558 925	21 957	42 562
61 - 90 Days	962 212	310 586	25 115	34 288
+ 90 Days	14 529 149	1 155 547	938 097	327 561
Sub-total	27 776 083	7 739 918	1 938 925	940 587
Less: Provision for Impairment	(13 387 996)	(3 730 619)		(453 360)
Total Debtors by Customer Classification	14 388 086	4 009 299	1 938 925	487 226

3. TRADE RECEIVABLES FROM EXCHANGE TRANSACTIONS (continued)

Summary of Debtors by Customer Classification

	Domestic R	Industrial/ Commercial R	National and Provincial Government R	Other R
As at 30 JUNE 2016				
Current:				
0 - 30 days	12 187 697	3 422 419	558 071	256 326
Past Due:				
31 - 60 Days	1 649 405	633 214	43 737	28 743
61 - 90 Days	958 596	176 785	21 236	13 475
+ 90 Days	14 229 448	1 111 287	587 674	170 119
Sub-total	29 025 146	5 343 705	1 210 718	468 663
Less: Provision for Impairment	(14 403 905)	(2 651 846)	-	(232 577)
Total Debtors by Customer Classification	14 621 241	2 691 859	1 210 718	236 086

Reconciliation of collective provision for impairment on exchange and non-exchange debtors

Balance at beginning of year	57 281 801	58 121 368
Impairment Losses recognised	47 471 141	38 268 449
Impairment -Vat movement	16 618	262 343
Amounts written off as uncollectable	(23 846 152)	(39 370 359)
Balance at end of year	80 923 408	57 281 801

The balance of the provision for impairment can be analysed as follows:

Consumer -and other debtors	22 330 438	21 762 057
Traffic Fines	58 592 970	35 519 744
	80 923 408	57 281 801

In determining the recoverability of a Consumer Debtor, the municipality considers any change in the credit quality of the Consumer Debtor from the date credit was initially granted up to the reporting date, and places strong emphasis on verifying the indigent status of consumers. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, management believes that there is no further credit provision required in excess of the Provision for Impairment.

- The methodology followed in the calculation of the provision for impairment of consumer debtors was as follows:
- The highest 50 debtors were selected based on outstanding debt per unit number. These debtors were evaluated individually by management,
 - High risk accounts were provided for at 100% - Debtors with indigent status,
 - Low risk accounts provided for at 0% - State debtors, employee - and departmental accounts,
 - All remaining debtors provided for at a percentage of non-payment for outstanding debt.

The average credit period for government grants and subsidies is dependant on the Government Department involved and the nature of claims. No interest is charged on outstanding government grants and subsidies. The subsidies are payable to the municipality per allocations made in the Division of Revenue Act or based on agreements between the municipality and the relevant departments. Government grants and Subsidies receivable are past due and not impaired as management has no concern over the credit quality of these assets.

At 30 June 2017 consumer debtors of R3,217,065 (2016: R2,335,392) were past due but not impaired. The age analysis of these consumer debtors is as follows:

31 - 60 Days	2 506 486	2 335 392
61 - 90 Days	710 579	-
91 Days +	-	-
Total	3 217 065	2 335 392

No discounting calculation has been considered on the outstanding arrangements due to the fact that the provision for impairment on these accounts are considered to be adequate to ensure that these balances are disclosed at the recoverable amount.

4. TRADE RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

Assessment rates debtors	11 077 746	10 561 404
Prepaid Expenses	1 867 866	1 775 810
Employees PAYE & Salary control	82 284	55 341
Traffic Fines	76 094 766	45 247 776
Other	396 148	358 186
	89 518 810	57 998 517
Less: Provision for Impairment	(63 351 431)	(39 993 472)
Total Trade Receivables from non-exchange transactions	26 167 379	18 005 045

Analysis of traffic fines receivable

Traffic Fines receivable at beginning of the year	45 247 776	48 884 286
Movement of fines during the year	30 846 990	(3 636 510)
Fines outstanding at the end of the year before provision for impairment	76 094 766	45 247 776
Less: Provision for Impairment of traffic fines	(58 592 970)	(35 519 744)
Fines outstanding at the end of the year	17 501 796	9 728 032

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017	2017	2016
	R	R
4. TRADE RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS - (continued)		

The average credit period for **Other Debtors**, excluding Assessment rate debtors, is 30 days. Interest is charged at prime plus 1% on all overdue assessment rates.

Non-Exchange receivables are not secured.

Ageing of trade receivables from non-exchange transactions

Rates Ageing

Current (0 - 30days)	4 423 936	4 035 249
<i>Past due</i>		
31 - 60 days	759 269	1 396 491
60 days +	668 398	290 547
90 days +	5 226 143	4 839 117
Total	11 077 746	10 561 404

Summary of Debtors by Customer Classification

	Domestic R	Industrial/ Commercial R	National and Provincial Government R	Other R
As at 30 JUNE 2017				
<u>Current:</u>				
0 - 30 days	4 188 202	220 831	8 813	6 090
<u>Past Due:</u>				
31 - 60 Days	708 925	38 890	7 195	4 259
61 - 90 Days	611 595	48 309	4 362	4 132
+ 90 Days	4 328 497	212 319	533 042	152 285
Sub-total	9 837 219	520 349	553 412	166 766
Less: Provision for Impairment	(4 447 789)	(235 270)	-	(75 401)
Total Debtors by Customer Classification	5 389 430	285 079	553 412	91 365

As at 30 JUNE 2016

<u>Current:</u>				
0 - 30 days	3 811 696	218 720	288	4 546
<u>Past Due:</u>				
31 - 60 Days	1 010 027	313 421	39 516	33 527
61 - 90 Days	271 000	18 505	186	856
+ 90 Days	4 095 100	330 325	399 932	13 760
Sub-total	9 187 823	880 971	439 922	52 689
Less: Provision for Impairment	(4 061 047)	(389 392)	-	(23 289)
Total Debtors by Customer Classification	5 126 776	491 579	439 922	29 400

At 30 June 2017 receivables from non-exchange transactions of R1,895,349 (2016: R2,052,427) were past due but not impaired. The age analysis of these debtors is as follows:

31 - 60 Days	759 269	1 396 491
61 - 90 Days	668 398	290 547
91 Days +	467 682	365 389
Total	1 895 349	2 052 427

The management of the municipality is of the opinion that the carrying value of Receivables approximate their fair values.

The fair value of Receivables was determined after considering the standard terms and conditions of the Debtors. The current payment ratios of Other Debtors were also taken into account for fair value determination.

5. VAT

VAT payable	(2 004 841)	(1 626 378)
VAT receivable	3 866 754	4 209 016
Net VAT receivable / (payable)	1 861 914	2 582 638

VAT is payable on the receipt basis. Once payment is received from debtors VAT is paid over to SARS. The VAT amount on outstanding debtors amounts to R3 791 308 (2016: R3,530,575) at year end.

No interest is payable to SARS if the VAT is paid over timeously, but interest for late payments is charged according to SARS policies.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017	2017 R	2016 R
6. CASH AND CASH EQUIVALENTS		
Current Investments	200 359 524	203 506 149
Cash and Cash Equivalents	47 230	47 230
Bank	11 372 335	3 231 717
Total Bank, Cash and Cash Equivalents	211 779 090	206 785 097

For the purposes of the Statement of Financial Position and the Cash Flow Statement, Bank, Cash and Cash Equivalents include Cash-on-Hand, Cash in Banks and Investments in Money Market Instruments, net of outstanding Bank Overdrafts.

6.1 Current Investment Deposits

Call Deposits	200 359 524	203 506 149
---------------	--------------------	--------------------

Summary of Investments

FNB	11 484 335	10 553 337
Investec	86 644 388	90 767 695
Standard Bank	10 074 137	10 318 909
Nedbank	92 156 665	91 866 208
	200 359 524	203 506 149

Call Deposits are investments with a maturity period of less than 3 months and earn interest rates varying from 6.8% to 8.755% (2016: 6,50% to 8.48%) per annum.

Allocations of investments

- Repayment of Long-term Liabilities as set out in Note 18	15 737 596	14 565 900
- Attributable to Unspent Conditional Grants as set out in Note 16	21 250 876	69 966 986
- Attributable to Housing Reserve as set out in Note 21	245 694	245 694
- Attributable to Trust Funds - see note 48	1 921 347	1 816 155
- Provision made for 35% (2016: 25%) of provision for rehabilitation of land-fill sites	26 391 645	16 136 723
- Available for Operational Account	134 812 367	100 774 691
	200 359 524	203 506 149

The fair value of Short-term Investment Deposits was determined after considering the standard terms and conditions of agreements entered into between the Municipality and financial institutions.

Primary Bank Account

First National Bank - Riversdale Branch Code 200313

Account Number 53571024174

Cheque Account

Cash book balance at beginning of year	3 209 069	3 923 263
Cash book balance at end of year	11 296 052	3 209 069

Bank statement balance at beginning of year	3 357 204	4 173 280
Bank statement balance at end of year	11 316 905	3 357 204

Current Account

First National Bank - Riversdale Branch Code 200313

Account Number 62225917543

Cheque Account

Cash book balance at beginning of year	22 648	15 782
Cash book balance at end of year	76 283	22 648

Bank statement balance at beginning of year	22 648	15 782
Bank statement balance at end of year	76 283	22 648

No restrictions have been imposed on the municipality in terms of the utilisation of its Cash and Cash Equivalents.

The municipality limits its counterparty exposures from its cash and cash equivalents by only dealing with well-established financial institutions of high credit standing.

The fair value of Bank Balances, Cash and Cash Equivalents was determined after considering the standard terms and conditions of agreements entered into between the municipality and financial institutions.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017	2017 R	2016 R
7. OPERATING LEASE ASSETS		

Operating Leases are recognised on the straight-line basis as per the requirement of GRAP 13. In respect of Non-cancellable Operating Leases the following assets have been recognised:

Balance at beginning of year	278 797	220 695
Operating Lease expenses recorded	(1 294 418)	(1 141 502)
Operating Lease payments effected	1 407 747	1 199 604
Total Operating Lease Assets	392 126	278 797

7.1 Leasing arrangements
Operating Leases relate to Property owned by the municipality with lease terms of between 1 to 25 years, with an option to extend. The operating lease receipts escalate between 5 and 10% annually. All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew. The lessee does not have an option to purchase the property at the expiry of the lease period.

7.2 Amounts receivable under Operating Leases
At the Reporting Date the following lease receipts were receivable under Operating Leases, at variable periods, for Property, Plant and Equipment, which are receivable as follows:

Up to 1 year	1 299 116	1 108 085
2 to 5 years	3 359 683	3 601 866
More than 5 years	1 165 232	1 277 377
Total Operating Lease Arrangements	5 824 031	5 987 328

The impact of charging the escalations in Operating Leases on a straight-line basis over the term of the lease has been an increase in current year income of R113 329 (2016: Increase of R58 102). No restrictions have been imposed on the municipality in terms of the lease agreements.

8. PROPERTY, PLANT AND EQUIPMENT

30 JUNE 2017

Reconciliation of Carrying Value

Description	Land	Buildings	Infrastructure	Community	Other	Total
Carrying values at 1 JULY 2016	147 424 496	29 169 919	372 654 134	14 770 940	71 017 363	635 036 851
Cost	165 596 015	54 951 492	455 412 484	24 459 768	115 275 970	815 695 729
- Completed Assets	165 596 015	54 022 278	408 267 541	23 040 662	115 275 970	766 202 466
- Under Construction	-	929 214	47 144 943	1 419 106	-	49 493 263
Accumulated Depreciation:	18 171 519	25 781 573	82 758 350	9 688 829	44 258 607	180 658 878
- Cost	18 171 519	25 781 573	82 758 350	9 688 829	44 258 607	180 658 878
Transfer to cost of completed assets due to projects completed	-	929 214	10 294 768	991 282	-	12 215 264
Transfer from cost under construction due to projects completed	-	(929 214)	(10 294 768)	(991 282)	-	(12 215 264)
Disposals	(33 500)	-	(246 734)	-	(2 203 384)	(2 483 618)
Depreciation on disposals	-	-	135 815	-	2 042 486	2 178 301
IGRAP 2 adjustment	-	-	-	-	5 438 277	5 438 277
Total acquisitions	10 532	1 940 301	111 151 186	2 348 838	7 687 078	123 137 935
Acquisitions	10 532	1 835 596	105 514 654	2 303 397	7 687 078	117 351 257
Capital under Construction - Additions	-	104 705	5 636 533	45 440	-	5 786 678
Depreciation:	-	3 182 030	12 021 189	1 198 127	10 148 323	26 549 670
- Based on cost	-	3 182 030	12 021 189	1 198 127	10 148 323	26 549 670
Impairment:						
- Based on cost	-	-	-	-	-	-
CARRYING VALUES AT 30 JUNE 2017	147 401 528	27 928 190	471 673 212	15 921 650	73 833 496	736 758 077
Cost	165 573 047	56 891 793	566 316 936	26 808 606	126 197 941	941 788 323
- Completed Assets	165 573 047	56 787 088	523 830 228	26 335 342	126 197 941	898 723 646
- Under Construction	-	104 705	42 486 708	473 264	-	43 064 677
Accumulated Depreciation and impairment:	18 171 519	28 963 603	94 643 724	10 886 956	52 364 445	205 030 247
- Cost	18 171 519	28 963 603	94 643 724	10 886 956	52 364 445	205 030 247

30 JUNE 2016

Reconciliation of Carrying Value

Description	Land Restated	Buildings Restated	Infrastructure Restated	Community Restated	Other Restated	Total Restated
Carrying values at 1 JULY 2015	148 194 484	31 500 997	307 765 844	15 272 474	74 063 601	576 797 401
Cost	166 370 301	53 938 901	380 786 964	23 794 713	108 213 416	733 104 295
- Completed Assets	186 546 460	51 729 240	341 148 817	23 007 045	108 187 805	710 619 368
- Under construction	-	2 209 660	30 886 453	787 668	42 173	33 925 954
- Restatements Assets under construction	-	-	8 735 132	-	-	8 735 132
- Restatements Completed assets	(20 176 159)	-	16 562	-	(16 562)	(20 176 159)
Accumulated Depreciation:	18 175 817	22 437 903	73 021 120	8 522 239	34 149 815	156 306 894
- Cost	18 176 117	22 437 903	76 761 579	8 522 239	34 152 023	160 049 861
- Restatements	(300)	-	(3 740 459)	-	(2 208)	(3 742 967)
Transfer to cost of completed assets due to projects completed	-	1 904 660	27 921 547	29 700	42 173	29 898 081
Transfer from cost under construction due to projects completed	-	(1 904 660)	(27 921 547)	(29 700)	(42 173)	(29 898 081)
Transfer of cost due to unbundling	-	-	-	-	-	-
Disposals	(774 286)	(27 325)	(13 663)	-	(498 730)	(1 314 004)
Depreciation on disposals	4 298	23 901	-	-	434 733	462 932
IGRAP 2 adjustment	-	-	-	-	(2 061 466)	(2 061 466)
Total acquisitions	-	1 039 917	74 639 183	665 055	9 622 749	85 966 904
Acquisitions	-	415 702	39 194 278	3 917	9 622 749	49 236 646
Capital under Construction - Additions	-	624 214	28 227 839	661 138	-	29 513 191
Restatements Capital under construction - Additions	-	-	7 217 066	-	-	7 217 066
Depreciation:	-	3 367 570	9 737 230	1 166 589	10 543 526	24 814 915
- Based on cost as restated	-	3 367 570	10 380 735	1 166 589	10 544 630	25 459 524
- Restatements	-	-	(643 505)	-	(1 104)	(644 609)
Impairment:						
- Based on cost	-	-	-	-	-	-
CARRYING VALUES AT 30 JUNE 2016	147 424 496	29 169 919	372 654 134	14 770 940	71 017 363	635 036 851
Cost	165 596 015	54 951 492	455 412 484	24 459 768	115 275 970	815 695 729
- Completed Assets	165 596 015	54 022 278	408 267 541	23 040 662	115 275 970	766 202 466
- Under Construction	-	929 214	47 144 943	1 419 106	-	49 493 263
Accumulated Depreciation and impairment:	18 171 519	25 781 573	82 758 350	9 688 829	44 258 607	180 658 878
- Cost	18 171 519	25 781 573	87 142 314	9 688 829	44 261 920	185 046 154
- Restatements	-	-	(4 383 964)	-	(3 312)	(4 387 276)

8.1 Property, Plant and Equipment Under Construction

R

R

The municipality has incurred expenditure on capital projects which were not completed at year end. The details of the carrying amounts of expenditure included in each class of assets are listed below:

- Buildings	104 705	929 214
- Infrastructure	42 486 708	47 144 943
- Community	473 264	1 419 106
- Other assets	-	-
	43 064 677	49 493 263

Property, Plant and Equipment per Cash Flow Statement:

- Total Additions as per Appendix "B"	123 137 935	85 966 904
- Less: Donated Assets	(900 000)	(73 300)
	122 237 935	85 893 604

8.2 Delayed projects

No projects that are currently in progress are experiencing significant delays. No projects have been halted either during the current or previous reporting period.

8.2 Impairment of Property, Plant and Equipment

No impairment losses have been recognised on Property, Plant and Equipment of the municipality at the reporting date.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017		2017	2016
		R	R
8. PROPERTY, PLANT AND EQUIPMENT (continued)			
8.3 Impairment of Property, Plant and Equipment			
No impairment losses have been recognised on Property, Plant and Equipment of the municipality at the reporting date.			
8.4 Net carrying amount of assets subject to finance lease			
The Municipality do not have any assets subject to finance leases at the end of the current year.			
8.5 Expenditure to repair and maintain			
The following specific costs included in the amount of repairs and maintenance were incurred by the municipality during the reporting period:			
Contractors		8 675 330	
Materials		7 532 336	
		<u>16 207 666</u>	
9. INTANGIBLE ASSETS			
At Cost less Accumulated Amortisation and Accumulated Impairment Losses		320 455	342 000
The movement in Intangible Assets is reconciled as follows:			
Carrying value at 1 JULY 2016		342 000	363 545
Cost		457 480	457 480
Accumulated Amortisation		(115 480)	(93 935)
Acquisitions during the Year:		-	-
Amortisation during the Year:		(21 545)	(21 545)
Carrying value at 30 JUNE 2017		320 455	342 000
Cost		457 480	457 480
Accumulated Amortisation		(137 025)	(115 480)
The amortisation expense has been included in the line item "Depreciation and Amortisation" in the Statement of Financial Performance (See note 31)			
All of the Municipality's Intangible Assets are held under freehold interests and no Intangible Asset has been pledged as security for any liabilities of the Municipality.			
Significant intangible Assets that did not meet the recognition criteria for Intangible Assets as stipulated in GRAP 102, are the following:			
- Website Costs incurred during the last two financial years have been expensed and not recognised as Intangible Assets. The municipality cannot demonstrate how its website will generate probable future economic benefits.			
No restrictions apply to any of the Intangible Assets of the municipality.			
10. INVESTMENT PROPERTY			
		Restated	
At fair value		70 995 100	68 307 159
The movement in Investment Property is reconciled as follows:			
Carrying values at 1 JULY 2016		68 307 159	67 619 559
Fair value as previously reported		68 307 159	50 690 000
Restatement			16 929 559
Disposals		(17 000)	(24 000)
Fair value adjustments due to revaluation		2 704 941	711 600
Carrying values at 30 JUNE 2017		70 995 100	68 307 159
Fair value		70 995 100	68 307 159
Accumulated impairment loss		-	-
Revenue and Expenditure disclosed in the Statement of Financial Performance include the following:			
Rental Revenue earned from Investment Property		330 211	294 380
Direct Operating expenses arising from investment property that generated rental revenue - Repairs and maintenance		(57 589)	(57 338)
All of the municipality's Investment Property is held under freehold interests and no Investment Property has been pledged as security for any liabilities of the municipality.			
There are no restrictions on the realisability of Investment Property or the remittance of revenue and proceeds of disposal.			
10.1 Impairment of Investment Property			
No impairment losses have been recognised on Investment Property of the municipality at the reporting date. (2016: R0)			
10.2 Investment Property carried at Fair Value:			
The fair value of investment properties was determined by a qualified valuer based on current market prices. The valuations were preformed by DDP valuers and the valuer Mr. T Nel is a professional valuer.			
10.3 Expenditure to repair and maintain			
Contractors		3 860	
Materials		53 730	
		<u>57 590</u>	

11. HERITAGE ASSETS

30 JUNE 2017
Reconciliation of Carrying Value

	Mayoral chains	Art collections, antiques and exhibits	Total
Carrying value at 1 JULY 2016	30 000	8 291 875	8 321 875
Cost			
- Completed Assets	30 000	8 291 875	8 321 875
Accumulated Impairment losses	-	-	-
Impairment losses	-	-	-
Disposals	-	-	-
CARRYING VALUE AT 30 JUNE 2017	30 000	8 291 875	8 321 875
Cost			
- Completed Assets	30 000	8 291 875	8 321 875
Accumulated Impairment losses	-	-	-

30 JUNE 2016
Reconciliation of Carrying Value

	Mayoral chains	Art collections, antiques and exhibits	Total
Carrying value at 1 JULY 2015	30 000	8 291 875	8 321 875
Cost			
- Completed Assets	30 000	8 291 875	8 321 875
Accumulated Impairment losses	-	-	-
Impairment losses	-	-	-
Disposals	-	-	-
CARRYING VALUE AT 30 JUNE 2016	30 000	8 291 875	8 321 875
Cost			
- Completed Assets	30 000	8 291 875	8 321 875
Accumulated Impairment losses	-	-	-

All of the municipality's Heritage Assets are held under freehold interests and no Heritage Assets have been pledged as security for any liabilities of the municipality.

No restrictions apply to any of the Intangible Assets of the municipality.

11.1 Impairment of Heritage Assets
No impairment losses have been recognised on Heritage Assets of the municipality at the reporting date.

12. LONG-TERM RECEIVABLES

Sport clubs/Pre-primary school	15 505	18 831
Other	-	-
	15 505	18 831
Less: Current portion transferred to current receivables	(2 634)	(3 326)
Sport clubs/Pre-primary school	(2 634)	(3 326)
Total	12 871	15 505

The fair value of Long-term Receivables was determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties as well as the current payment ratio's of the municipality's debtors.

In determining the recoverability of a Long-term Receivables, the municipality considers any change in the credit quality of the receivables from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, management believes that there is no further credit provision required in excess of the Provision for Impairment.

Credit quality is determined by past defaults. There are no past defaults and consequently no impairments.

Sport clubs and other

The council granted loans at a interest rate of 8% to the following:

- Pikkewouter Pre-primary school - Stilbaai
- Heidelberg Gholfklub

These loans are repayable by the year 2022 and are not secured.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017	2017	2016
	R	R
13. CONSUMER DEPOSITS		
Electricity and Water	5 161 333	4 413 645
Balance 30 JUNE 2017	5 161 333	4 413 645

Consumer Deposits are paid by consumers on application for new water and electricity connections. The deposits are repaid when the water and electricity connections are terminated. In cases where consumers default on their account, the Municipality can utilise the deposit as payment for the outstanding amount. No interest is paid on Consumer Deposits held. The management of the Municipality is of the opinion that the carrying value of Consumer Deposits approximate their fair value.

The fair value of Consumer Deposits was determined after considering the standard terms and conditions of agreements entered into between the Municipality and its consumers.

14. PROVISIONS		
Performance Bonus	714 752	763 940
Staff bonuses	3 710 174	3 275 933
Current Portion of Post-retirement Medical Aid Benefits Liability (See Note 19.1 below)	2 015 885	1 818 000
Current portion of Provision for Ex-Gratia Pensioners Benefit Liability (See Note 19.2 below)	10 878	2 000
Current portion of Provision for long-service Awards (See note 20 below)	1 022 375	594 000
Total Provisions	7 474 064	6 453 873

Performance bonuses
Performance bonuses accrue to employees yearly, subject to performance criteria stipulated in the employee contracts. The amount of the bonus is fixed at a maximum of 14% of the annual remuneration. This is however subjected to evaluation. The provision is an estimate of the amount due to managers at the reporting date.

Staff bonuses
Service bonuses are granted to employees as a 13th cheque. An estimate amount for the provision raised is determined according to the amount accruing to employees from December to June which is based on their salaries earned at 30 June of each year. In order to qualify for a 13th cheque, the staff member must be in service of the municipality at the date of payment.

The movement in current provisions are reconciled as follows:-

	Staff bonuses	Post Employment Health Care Benefits	Current Portion of Long Service	Current Portion of Ex-Gratia Benefits	Performance Bonus
Balance at 1 JULY 2016	3 275 933	1 818 000	594 000	2 000	763 940
Transfer from non-current	-	-	-	-	-
Contribution to provisions	3 710 174	1 962 104	1 022 375	8 878	714 752
Expenditure incurred	(3 275 933)	(1 764 219)	(594 000)	-	(763 940)
Balance at 30 JUNE 2017	3 710 174	2 015 885	1 022 375	10 878	714 752
Balance at 1 JULY 2015	3 167 834	1 794 000	383 000	2 000	777 511
Transfer from non-current	-	-	-	-	-
Contribution to provisions	3 275 933	1 795 267	490 983	-	763 940
Expenditure incurred	(3 167 834)	(1 771 267)	(279 983)	-	(777 511)
Balance at 30 JUNE 2016	3 275 933	1 818 000	594 000	2 000	763 940

15. CREDITORS		
Trade Creditors	33 189 258	27 163 931
Payments received in advance	684 432	567 003
Retentions	7 526 915	3 776 224
Staff Leave	6 433 171	5 636 941
Other Creditors	7 456 937	6 969 958
Total	55 290 713	44 114 057

The average credit period on purchases is 30 days from the receipt of the invoice, as determined by the MFMA, No interest is charged for the first 30 days from the date of receipt of the invoice/statement. Thereafter interest is charged in accordance with the credit policies of the various individual creditors that the Municipality deals with. The Municipality has financial risk policies in place to ensure all payables are paid within the credit timeframe.

Retentions refer to construction contracts.

The fair value of Creditors was determined after considering the standard terms and conditions of agreements entered into between the Municipality and other parties.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017			2017	2016
			R	R
16. UNSPENT CONDITIONAL GRANTS AND RECEIPTS				
16.1 Conditional Grants from Government - Appendix F			20 102 693	68 613 851
National Government Grants			6 716 198	67 130 593
Provincial Government Grants			13 013 107	1 109 870
District Municipality Grants			373 388	373 388
16.2 Other Conditional Receipts - Appendix F			1 148 183	1 353 135
Tourism			101 819	101 819
Skills Development			258 318	308 074
National Lottery Fund			303 227	303 227
ASLA Devco - Water meters Slangrivier			273 400	273 400
National Heritage Council			-	-
Africana Centre			23 315	6 615
Public Participation Strategy			60 000	60 000
Arbor Day Award			128 105	300 000
Total conditional grants and receipts			21 250 876	69 966 986

See note 25 and 26 for reconciliation of grants.

The Unspent Conditional Grants and Receipts are invested in investment accounts until utilised.

17. OPERATING LEASE LIABILITY

Operating Leases are recognised on the straight-line basis as per the requirement of GRAP 13. In respect of Non-cancellable Operating Leases the following liabilities have been recognised:

Balance at beginning of year	98 476	52 742
Operating Lease expenses recorded	886 366	(745 784)
Operating Lease payments effected	(854 622)	791 517
Total Operating Lease Liabilities	130 220	98 476

17.1 Leasing Arrangements

The Municipality as Lessee:

Operating Leases relate to Property, Plant and Equipment with lease terms not longer than 5 years, with an option to extend for a further period. All operating lease contracts contain market review clauses in the event that the municipality exercises its option to renew. The municipality does not have an option to purchase the leased asset at the expiry of the lease period. The operating lease payments escalate between 0 and 8% annually. The municipality did not pay any contingent rent during the year.

17.2 Amounts payable under Operating Leases

At the Reporting Date the municipality had outstanding commitments under Non-cancellable Operating Leases for Property, Plant and Equipment, which fall due as follows:

Buildings:	1 391 025	931 980
Up to 1 year	728 723	569 906
2 to 5 years	662 302	362 074
More than 5 years	-	-
Computer software:	1 140 444	1 374 828
Up to 1 year	253 092	234 348
2 to 5 years	887 352	1 140 480
More than 5 years	-	-
Equipment:	1 709 997	799 160
Up to 1 year	1 069 010	359 652
2 to 5 years	640 987	439 508
More than 5 years	-	-
Total Operating Lease Arrangements	4 241 466	3 105 968

The following payments have been recognised as an expense in the Statement of Financial Performance:

Minimum lease payments	(854 622)	791 517
Total Operating Lease Expenses	(854 622)	791 517

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017		2017	2016
		R	R
18. LONG-TERM LIABILITIES			
Annuity Loans		127 294 110	121 860 219
		127 294 110	121 860 219
Less: Current portion transferred to current liabilities		15 737 596	14 565 900
Annuity Loans		15 737 596	14 565 900
Total long-term liabilities (Neither past due nor impaired)		111 556 514	107 294 319

Annuity Loans are repaid over periods not exceeding 10 years and at interest rates varying from 8.90% tot 11.56% per annum. Annuity loans are not secured.

Refer to Appendix "A" for more detail on Long-term Liabilities.
Long-term Liabilities have been utilized in accordance with the MFMA. Current portion of long-term liabilities is fully invested in ringfenced financial instruments. See note 6 for more detail.

The fair value of Long-term Liabilities was determined after considering the standard terms and conditions of agreements entered into between the municipality and the relevant financing institutions.

Obligations under finance lease liabilities:

The Municipality as lessee

The Municiplity did not have any finance lease liabilities at the end of the year.

19. RETIREMENT BENEFIT LIABILITIES			
Post-retirement Health Care Benefits Liability		42 005 148	42 850 000
Ex-gratia Pension Benefit Liability		111 762	132 000
Total		42 116 910	42 982 000

19.1 Post-retirement Health Care Benefits Liability

Balance at beginning of Year		44 668 000	44 603 000
Contributions to Provision		6 282 000	5 684 000
Expenditure incurred		(1 764 219)	(1 771 267)
Actuarial gains		(5 164 748)	(3 847 733)
Balance at end of Year		44 021 033	44 668 000
Transfer to Current Provisions		(2 015 885)	(1 818 000)
Total Post-retirement Health Care Benefits Liability		42 005 148	42 850 000

The liability in respect of the current and previous four years has been estimated as follows:

	2017	2016	2015	2014	2013
	R	R	R	R	R
Members	44 021 033	44 668 000	44 603 000	45 098 427	41 817 598
Total Liability	44 021 033	44 668 000	44 603 000	45 098 427	41 817 598
Experience adjustments were calculated as follows:	2017	2016	2015	2014	2013
Liabilities: (Gain)/Loss	(5 164 748)	(3 847 733)	(4 007 373)	-	3 953 040

The municipality provides certain post-retirement health care benefits by funding the medical aid contributions of qualifying retired members of the municipality. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current Conditions of Service) is entitled to remain a continued member of such medical aid fund on retirement, in which case the municipality is liable for a certain portion of the medical aid membership fee. The municipality operates an unfunded defined benefit plan for these qualifying employees. No other post-retirement benefits are provided to these employees.

The most recent actuarial valuations of the present value of the defined benefit obligation was carried out at 30 June 2017 by Chanan Weiss, Fellow of the Actuarial Society of South Africa and employee of ARCH Actuarial Consulting (Pty) Ltd. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

The members of the Post-employment Health Care Benefit Plan are made up as follows:

In-service Members (Employees)	149	150
Continued Members (Retirees, widowers and orphans)	53	51
Total members	202	201

The liability in respect of past service has been estimated as follows:

In-service Members	19 080 033	22 746 000
Continued Members	24 941 000	21 922 000
Total liability	44 021 033	44 668 000

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017	2017 R	2016 R
19. RETIREMENT BENEFIT LIABILITIES (continued)		

The municipality makes monthly contributions for health care arrangements to the following Medical Aid Schemes:

- Bonitas
- Hosmed
- Keyhealth
- LA Health
- Samwumed

The Current-service Cost and interest cost for the year ending 30 June 2017 is estimated to be R1,842,000 and R4,440,000 respectively, whereas the cost for the ensuing year is estimated to be R1,623,513 and R4,098,151 respectively.

The principal assumptions used for the purposes of the actuarial valuations were as follows:

Discount Rate	9.52%	9.72%
Health Care Cost Inflation Rate (1% above Consumer price inflation)	7.82%	8.97%
Net Effective Discount Rate	1.58%	0.69%
Average retirement age	65	63

ii) Mortality rates

Pre-retirement SA 85 - 90 mortality table

SA 85 - 90 mortality table

Post-retirement PA (90 - 1) ultimate mortality table

PA (90 - 1) ultimate mortality table

iii) Normal retirement age

The normal retirement age for all active employees has been assumed to be 65 years.

Movements in the present value of the Defined Benefit Obligation were as follows:

Balance at the beginning of the year	44 668 000	44 603 000
Current service costs	1 842 000	1 607 000
Interest cost	4 440 000	4 077 000
Benefits paid	(1 764 219)	(1 771 267)
Actuarial gains	(5 164 748)	(3 847 733)
Present Value of Fund Obligation at the end of the Year	44 021 033	44 668 000

Actuarial losses / (gains) unrecognised	-	-
Total Recognised Benefit Liability	44 021 033	44 668 000

The amounts recognised in the Statement of Financial Position are as follows:

Present value of fund obligations	44 021 033	44 668 000
Unrecognised Past-service Cost	-	-
Unrecognised Actuarial Gains / (Losses)	-	-
Total Benefit Liability	44 021 033	44 668 000

The amounts recognised in the Statement of Financial Performance are as follows:

Current service cost	1 842 000	1 607 000
Interest cost	4 440 000	4 077 000
Actuarial gains	(5 164 748)	(3 847 733)
Total Post-retirement Benefit included in Employee Related Costs (Note 28)	1 117 252	1 836 267

Sensitivity analysis

i) The effect of a 1% movement in the assumed rate of health care cost inflation is as follows:

Increase:

Effect on the aggregate of the current service cost and the interest cost	7 432 000	7 432 000
Effect on the defined benefit obligation	50 811 000	51 654 000

Decrease:

Effect on the aggregate of the current service cost and the interest cost	5 361 000	5 361 000
Effect on the defined benefit obligation	38 481 000	38 979 000

The municipality expects to make a contribution of R5 721 664 to the provision during the next year.

Refer to Note 44 "Multi-employer Retirement Benefit Information" to the Annual Financial Statements for more information regarding the municipality's other retirement funds that is administered Provincially and Nationally.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017	2017 R	2016 R
19. RETIREMENT BENEFIT LIABILITIES (continued)		

19.2 Ex-Gratia Pensioners Defined Benefit Liability

Balance at beginning of Year	134 000	138 000
Contributions to Provision	11 000	11 000
Expenditure incurred	-	(8 000)
Decrease due to Re-measurement	(22 360)	(7 000)
Balance at end of Year	122 640	134 000
Transfer to Current Provisions	(10 878)	(2 000)
Total Ex-Gratia Pensioners Benefits Liability	111 762	132 000

The liability in respect of the current and previous four years has been estimated as follows:

	2017 R	2016 R	2015 R	2014 R	2013 R
Members	122 640	134 000	138 000	226 570	213 570
Total Liability	122 640	134 000	138 000	226 570	213 570
Experience adjustments were calculated as follows:					
Liabilities: (Gain)/Loss	(22 360)	(9 000)	(58 918)	-	73 922

The Ex-Gratia Pensioner Benefit Plan is a defined benefit plan. As at 30 June 2017, 54 (2016: 56) pensioners were eligible for payments in terms of this plan. The municipality operates an unfunded defined benefit plan for these qualifying employees.

The Municipality provides a once-off pension benefit to all employees who entered service prior to 31 December 1994 on normal retirement (65 for males and 60 for females). Only members who were still in-service after 1 July 1998 are entitled to the benefit. The benefit is calculated according to the average annual salary earned as at 31 December 1994 multiplied by number of years of service up to 31 December 1994, multiplied by 10%.

The interest-cost for the next year is estimated to be R10 409. Actuaries are of opinion that future service cost need not be determined for pension fund liability as all benefits vests immediately.

Key actuarial assumptions used:

i) Rate of interest

Discount Rate	8.87%	8.77%
---------------	-------	-------

ii) Mortality rates

The SA85-90 Ultimate mortality table was used by the actuaries

Movements in the present value of the Defined Benefit Obligation were as follows:

Balance at the beginning of the year	134 000	138 000
Interest cost	11 000	11 000
Benefits paid	-	(8 000)
Actuarial losses / (gains)	(22 360)	(7 000)
Present Value of Fund Obligation at the end of the Year	122 640	134 000
Actuarial losses / (gains) unrecognised	-	-
Total Recognised Benefit Liability	122 640	134 000

The amounts recognised in the Statement of Financial Position are as follows:

Present value of fund obligations	122 640	134 000
Actuarial gains / (losses) not recognised	-	-
Total Benefit Liability	122 640	134 000

The amounts recognised in the Statement of Financial Performance are as follows:

Interest cost	11 000	11 000
Actuarial gains	(22 360)	(7 000)
Total Post-retirement Benefit included in Employee Related Costs (Note 28)	(11 360)	4 000

The effect of a one percent movement in the discount rate is as follows:

Increase:

Effect on the interest cost	12 000	11 000
Effect on the defined benefit obligation	115 632	136 000

Decrease:

Effect on the interest cost	10 000	11 000
Effect on the defined benefit obligation	130 314	140 000

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017	2017	2016
	R	R
20. NON-CURRENT PROVISIONS		
Provision for Long Service Awards	7 776 800	7 632 000
Land-fill Sites	75 404 699	64 545 093
Total non-current provisions	83 181 499	72 177 093

The movement in Non-current Provisions are reconciled as follows:

	30 JUNE 2017 Land-fill sites	30 JUNE 2017 Long Service Awards
Balance at beginning of year	64 545 093	8 226 000
Increase due to changes in the amount of the outflow of resources embodying economic benefits and a change in the discount rate	5 438 277	1 533 000
Expenditure incurred	-	(594 000)
Increase due to re-measurement	5 421 329	(365 825)
	75 404 699	8 799 175
Transfer to current provisions	-	(1 022 375)
Balance at end of year	75 404 699	7 776 800

The liability in respect of the current and previous four years has been estimated as follows:

	2017 R	2016 R	2015 R	2014 R	2013 R
Members	8 799 175	8 226 000	7 460 000	6 735 286	6 004 800
Total Liability	8 799 175	8 226 000	7 460 000	6 735 286	6 004 800
Experience adjustments were calculated as follows:	2017	2016	2015	2014	2013
Liabilities: (Gain)/Loss	(365 825)	(297 017)	84 714	145 000	476 000

Long service awards

The municipality operates an unfunded defined benefit plan for all its employees. Under the plan, a Long-service Award is payable after 5 years of continuous service and every 5 years thereafter to employees. The provision is an estimate of the long-service based on historical staff turnover. No other long-service benefits are provided to employees. The municipality operates an unfunded defined plan for these qualifying employees.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2017 by Chanan Weiss, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

At year end, 522 (2016: 508) employees were eligible for Long-services Awards.

The Current-service Cost and interest cost for the year ending 30 June 2017 is estimated to be R698,000 and R835,000 respectively, whereas the cost for the ensuing year is estimated to be R726,589 and R714 074 respectively.

The principal assumptions used for the purposes of the actuarial valuations were as follows:

Discount Rate	8.60%	9.02%
General salary inflation	6.43%	8.26%
Net Effective Discount Rate	2.05%	0.7%
Average retirement age	65	63

Movements in the present value of the Defined Benefit Obligation were as follows:

Balance at the beginning of the year	8 226 000	7 460 000
Current service costs	698 000	653 000
Interest cost	835 000	690 000
Benefits paid	(594 000)	(279 983)
Actuarial losses / (gains)	(365 825)	(297 017)
Present Value of Fund Obligation at the end of the Year	8 799 175	8 226 000
Actuarial losses / (gains) unrecognised	-	-
Total Recognised Benefit Liability	8 799 175	8 226 000

The amounts recognised in the Statement of Financial Position are as follows:

Present value of fund obligations	8 799 175	8 226 000
Actuarial gains / (losses) not recognised	-	-
Total Benefit Liability	8 799 175	8 226 000

The amounts recognised in the Statement of Financial Performance are as follows:

Current service cost	698 000	653 000
Interest cost	835 000	690 000
Actuarial (gains) / losses	(365 825)	(297 017)
Total Post-retirement Benefit included in Employee Related Costs (Note 28)	1 167 175	1 045 983

Sensitivity Analysis:

The effect of a 1% movement in the assumed general salary inflation rate is as follows:

Increase:

Effect on the aggregate of the current service cost and the interest cost	1 678 000	1 678 000
Effect on the defined benefit obligation	9 484 000	8 928 000

Decrease:

Effect on the aggregate of the current service cost and the interest cost	1 405 000	1 405 000
Effect on the defined benefit obligation	8 190 000	7 601 000

The municipality expects to make a contribution of R1 440 663 to the provision during the next year.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017	2017	2016
	R	R
20. NON-CURRENT PROVISIONS - (continued)		

Provision for Land-fill Sites

The provision for rehabilitation of the land-fill sites is recognised as and when the environmental liability arises. The provision is calculated by a qualified environmental engineer. The provision represents the net present value at the reporting date of the expected future cash flows to rehabilitate the land-fill sites. To the extent that the obligations relate to an asset, it is capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the initial related asset are charged to the statement of financial performance.

In terms of the licencing of the landfill refuse sites, the municipality will incur licensing and rehabilitation costs to restore the sites at the end of their useful lives. Provision has been made for the net present value of the future cost, using the average cost of borrowing interest rate.

Management referred to the following when making assumptions regarding provisions:

- Professional engineers were utilised to determine the cost of rehabilitation of land-fill sites as well as the remaining useful life of each specific land-fill site.
- Interest rates linked to the Consumer Price Index was used to calculate the effect of time value of money.

21. STATUTORY FUNDS		
Housing Reserve		
Balance 1 July	245 694	245 694
Rental Income	-	-
	245 694	245 694
Less: Expenses	-	-
Total at 30 June	245 694	245 694

The Housing reserve is represented by the following:

Investment (included in investments note 6)	245 694	245 694
Total Housing Reserve Assets	245 694	245 694

The **Housing Development Fund** has its origin from Loans extinguished by Government on 1 April 1998 and the net of housing transactions appropriated to the fund thereafter. No separate unappropriated surplus account for housing transactions was kept.

22. ACCUMULATED SURPLUS		
The Accumulated Surplus consists of the following Internal Funds and Reserves:		Restated
Opening balance as restated	597 725 869	539 837 407
Surplus for the year as restated	138 828 029	57 888 463
Transfer to Housing Reserve	-	-
Total Accumulated Surplus	736 553 899	597 725 869

23. PROPERTY RATES		
Actual		
Residential, Commercial & State	77 595 996	72 130 371
Less: Income Forgone	(6 608 177)	(6 193 804)
Total Assessment Rates	70 987 819	65 936 567

Valuations	R000's	R000's
Residential, Commercial & State	9 853 736	9 769 316
Agriculture	3 923 702	3 922 702
Municipal	320 812	320 815
Churches	117 790	117 310
Total Property Valuations	14 216 040	14 130 143

Assessment Rates are levied on the market value of properties, which valuation must be performed every four years. The Municipality however obtained approval by the MEC for a five year interval. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations, consolidations and subdivisions.

Rates are levied annually on property owners and are payable in 12 monthly installments. Interest is levied on outstanding rates amounts. A uniform general residential rate of 0.006582 c/R (2015/2016: 0.006151 c/R) is applied to property valuations to determine assessment rates. The current property valuations were done according to the Local Government: Municipal Property Rates Act 6 of 2004, with implementation date 1 July 2014.

The rates tariffs for the 2016/2017 financial year was as follows:

	2016/17	2015/16
Residential	.006582c/R	.006151c/R
Vacant Land	.011469c/R	.010719c/R
Agriculture	.001645c/R	.001537c/R
State	.014512c/R	.013563c/R
Business	.006737c/R	.006296c/R

A rebate of R50 000 on the value of the property (2015/2016: R50 000) was allowed on residential properties, whilst rebates of 10% - 40% were applied to pensioners, based on the annual income of the ratepayer. A discount of 10% was granted to agricultural properties used for residential and/or business purposes.

Rates are levied annually on property owners. Owners are allowed to pay the annual assessment in 12 monthly installments.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017		2017	2016
		R	R
24. SERVICE CHARGES			
Sale of electricity		127 795 091	117 577 503
Sale of water		31 144 803	28 017 906
Connection Fees - Geyser load control		282 149	210 770
Refuse removal fees		12 542 244	11 611 688
Sewerage and sanitation charges		17 193 957	15 995 332
Total Service Charges		188 958 244	173 413 199

The amounts disclosed above for revenue from Service Charges are in respect of services rendered which are billed on a monthly basis according to approved tariffs.

25. GOVERNMENT GRANTS AND SUBSIDIES - (Statement of Performance)			
Operating			
National:		37 617 356	35 032 048
Equitable Share	25.1	34 558 000	31 529 000
Financial Management Grant	25.2	1 475 000	1 450 000
MIG Projects	25.10	651 150	666 600
Expanded Public Works Programme	25.4	394 430	192 030
Integrated National Electricity Program	25.11	538 776	374 018
Municipal Systems Improvement Grant	25.15	-	820 400
Provincial:		24 747 207	17 146 687
Human Settlement Development	25.5	17 113 168	9 657 112
Library: Extending Staffing Levels	25.7	2 127 743	1 539 734
Riversdal Thusong Centre	25.3	-	5 000
Libraries Municipal Replacement Funding	25.14	4 528 926	4 388 854
Municipal Service Delivery and Capacity Building	25.20	179 756	
LG Graduate Internship Grant	25.21	15 000	-
Greenest Municipality	25.17	123 169	195 377
Subsidy - Proclaimed Roads	25.13	110 755	95 000
Municipal Capacity Building Grant - revert to Provincial Government	25.16	-	648 810
Municipal Infrastructure Support Grant	25.22	284 190	-
Financial Management Support Grant	25.18	264 500	616 800
Capital Projects			
National:		94 422 038	26 904 419
Accelerated Community Infrastr. Programme	25.8	-	3 199 093
Integrated National Electricity Program	25.11	-	2 625 982
MIG Allocations	25.10	11 606 500	15 723 811
Municipal Systems Improvement Grant	25.15	-	109 600
Disaster Recovery Grant	25.19	82 121 968	4 233 202
Expanded Public Works Programme	25.4	693 570	1 012 731
Provincial:		1 275 166	551 623
Riversdal Thusong Centre	25.3	92 400	-
Human Settlement Development	25.5	927 360	-
Libraries Municipal Replacement Funding	25.14	255 406	551 623
Total Government Grants & Subsidy - Operational		62 364 563	52 178 735
Total Government Grants & Subsidy - Capital		95 697 204	27 456 042
Government - Operating Grants		62 364 563	52 178 735
Government - Capital Grants		95 697 204	27 456 042
TOTAL: GOVERNMENT GRANTS AND OTHER GRANTS - Appendix F		158 061 767	79 634 777
Other grants note 26		350 096	213 646
		158 411 863	79 848 423

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017	2017 R	2016 R
25 GOVERNMENT GRANTS AND SUBSIDIES - (continued)		
25.1 Equitable Share		
Current Year Receipts	34 558 000	31 529 000
Conditions met - transferred to revenue	(34 558 000)	(31 529 000)
Conditions still to be met - transferred to liabilities (refer note 16.1)	-	-

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members as well as for LED and upliftment projects. All registered indigents receive the following:

<u>Level of Income:</u>	<u>Subsidy</u>
- R0.00 - R3 000	- free basic services plus 100% rebate on rates
	- 6kl free water
	- 50kwh free electricity
- R3 001 - R3 500	- 50% free basic services plus 50% rebate on rates
	- 6kl free water
	- 50kwh free electricity

25.2 Financial Management Grant		
Balance unspent at beginning of year	-	-
Current Year Receipts	1 475 000	1 450 000
Conditions met - transferred to revenue: Operating Expenses	(1 475 000)	(1 450 000)
Conditions met - transferred to revenue: Capital Expenses	-	-
Conditions still to be met - transferred to liabilities (refer note 16.1)	-	-

The Financial Management Grant is paid by National Treasury to all municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The MFMA Grant also pays for the cost of the Financial Management Internship Programme (eg. Salary costs of the Financial Management interns).

25.3 Riversdale Thusong Centre		
Balance unspent at beginning of year	95 000	-
Current Year Receipts	-	100 000
Conditions met - transferred to revenue: Capital Expenses	(92 400)	-
Conditions met - transferred to revenue: Operating Expenses	-	(5 000)
Conditions still to be met - transferred to liabilities (refer note 16.1)	2 600	95 000

This grant is been utilised for social an economic development.

25.4 Extended Public Works Programme		
Balance unspent at beginning of year	-	204 761
Current Year Receipts	1 088 000	1 000 000
Conditions met - transferred to revenue: Operating Expenses	(394 430)	(192 030)
Conditions met - transferred to revenue: Capital Expenses	(693 570)	(1 012 731)
Conditions still to be met - transferred to liabilities (refer note16.1)	-	-

The EPWP is used for various local economic development and environmental projects.

25.5 Human Settlement Development		
Balance unspent at beginning of year	-	-
Current Year Receipts	28 118 806	9 657 112
Conditions met - transferred to revenue: Capital Expenses	(927 360)	-
Conditions met - transferred to revenue: Operating Expenses	(17 113 168)	(9 657 112)
Conditions still to be met - transferred to liabilities (refer note16.1)	10 078 278	-

This grant from the Department of Local Government and Housing is used for the construction of houses and related infrastructure.

25.6 Spatial Development Framework		
Balance unspent at beginning of year	2 807	2 807
Current Year Receipts	-	-
Conditions met - transferred to revenue: Operating Expenses	-	-
Conditions still to be met - transferred to liabilities (refer note16.1)	2 807	2 807

This grant is earmarked for environmental projects

25.7 Library Conditional Grant		
Balance unspent at beginning of year	146 149	34 883
Current Year Receipts	2 237 000	1 651 000
Conditions met - transferred to revenue: Capital Expenses	(255 406)	-
Conditions met - transferred to revenue: Operating Expenses	(2 127 743)	(1 539 734)
Conditions still to be met - transferred to liabilities (refer note16.1)	-	146 149

This grant is utilised to fund the remuneration expenses of the library service

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017		2017	2016
		R	R
25 GOVERNMENT GRANTS AND SUBSIDIES - (continued)			
<u>25.8 Accelerated Community Infrastr. Programme</u>			
Balance unspent at beginning of year		30 907	-
Current Year Receipts		-	3 458 000
Conditions met - transferred to revenue: Operating Expenses		-	-
Conditions met - transferred to revenue: Capital Expenses		-	(3 427 093)
Conditions still to be met - transferred to liabilities (refer note16.1)		30 907	30 907
This grant is utilised for Local Economic Development projects			
<u>25.9 Housing Consumer Education - George Municipality</u>			
Balance unspent at beginning of year		21 068	21 068
Current Year Receipts		-	-
Conditions met - transferred to revenue: Operating Expenses		-	-
Conditions still to be met - transferred to liabilities (refer note16.1)		21 068	21 068
This grant is earmarked for consumer awareness projects			
<u>25.10 MIG Infrastructure allocations</u>			
Balance unspent at beginning of year		3 458 717	6 517 128
Current Year Receipts		13 023 000	13 332 000
Conditions met - transferred to Revenue: Capital Expenses		(11 606 500)	(15 723 811)
Conditions met - transferred to revenue: Operating Expenses		(651 150)	(666 600)
Conditions still to be met - transferred to liabilities (refer note16.1)		4 224 067	3 458 717
This grant was used to construct roads, labour intensive side-walks, sewerage and water infrastructure as part of the upgrade of informal settlement areas.			
<u>25.11 Integrated National Electricity Program</u>			
Balance unspent at beginning of year		0	0
Current Year Receipts		3 000 000	3 000 000
Conditions met - transferred to Revenue: Capital Expenses		0	-2 625 982
Conditions met - transferred to Revenue: Operating Expenses		-538 776	-374 018
Conditions still to be met - transferred to liabilities (refer note16.1)		2 461 224	-
The INEP grant was used for electrification of housing schemes			
<u>25.12 Energy Efficiency Demand Side Mgmnt</u>			
Balance unspent at beginning of year		-	78 794
Current Year Receipts		-	-
Grant forfeited - Not income		-	(78 794)
Conditions met - transferred to Revenue: Capital Expenses		-	-
Conditions met - transferred to revenue: Operating Expenses		-	-
Conditions still to be met - transferred to liabilities (refer note16.1)		-	-
<u>25.13 Proclaimed Roads</u>			
Balance unspent at beginning of year		-	-
Current Year Receipts		110 755	95 000
Conditions met - transferred to Revenue: Operating Expenses		(110 755)	(95 000)
Conditions met - transferred to Revenue: Capital Expenses		-	-
Conditions still to be met - transferred to liabilities (refer note16.1)		-	-
This grant was used for Provincial road projects.			
<u>25.14 Libraries Municipal Replacement Funding</u>			
Balance unspent at beginning of year		146 028	330 505
Current Year Receipts		4 773 000	4 756 000
Conditions met - transferred to Revenue: Operating Expenses		(4 528 926)	(4 388 854)
Conditions met - transferred to Revenue: Capital Expenses		-	(551 623)
Conditions still to be met - transferred to liabilities (refer note16.1)		390 102	146 028
This grant is utilised to fund the expenses of the library service			
<u>25.15 Municipal Systems Improvement Grant</u>			
Balance unspent at beginning of year		-	-
Current Year Receipts		-	930 000
Conditions met - transferred to revenue: Operating Expenses		-	(820 400)
Conditions met - transferred to revenue: Capital Expenses		-	(109 600)
Conditions still to be met - transferred to liabilities (refer note16.1)		-	-
<u>25.16 Municipal Capacity Building Grant</u>			
Balance unspent at beginning of year		16 590	398 400
Current Year Receipts		120 000	267 000
Revert to Provincial Government		(16 590)	(648 810)
Conditions still to be met - transferred to liabilities (refer note16.1)		120 000	16 590
This grant was used for project preparation			

25. GOVERNMENT GRANTS AND SUBSIDIES - (continued)

25.17 Subsidy - Greenest Municipality

Balance unspent at beginning of year	4 623	70 000
Current Year Receipts	130 000	130 000
Conditions met - transferred to revenue: Operating Expenses	(123 169)	(195 377)
Conditions still to be met - transferred to liabilities (refer note16.1)	11 454	4 623

This grant was used to further develop the municipality's performance management system

25.18 Financial Management Support Grant

Balance unspent at beginning of year	369 362	633 162
Current Year Receipts	-	353 000
Revert to Provincial Government	(7 362)	-
Conditions met - transferred to revenue: Operating Expenses	(264 500)	(616 800)
Conditions still to be met - transferred to liabilities (refer note16.1)	97 500	369 362

This grant was used for the development of the municipality's financial plan

25.19 Disaster Recovery Grant

Balance unspent at beginning of year	63 640 968	28 549 126
Current Year Receipts	30 000 000	39 325 044
Revert to National Government	(11 519 000)	-
Conditions met - transferred to revenue: Operating Expenses	-	-
Conditions met - transferred to revenue: Capital Expenses	(82 121 968)	(4 233 202)

Conditions still to be met - transferred to liabilities (refer note16.1)	-	63 640 968
--	---	------------

This grant was used for the rehabilitation of infrastructure damaged by floods. The municipality is in dispute with National Government (NG) regarding NG's claim that R30 000 000 of the grant be reverted to NG. An amount of R11 519 000 already reverted before year end. The full amount is in dispute.

25.20 Municipal Service Delivery and Capacity Building

Balance unspent at beginning of year	-	-
Current Year Receipts	200 000	-
Conditions met - transferred to revenue: Operating Expenses	(179 756)	-

Conditions still to be met - transferred to liabilities (refer note16.1)	20 244	-
--	--------	---

For the repair of potholes

25.21 LG Graduate Internship Grant

Balance unspent at beginning of year	-	-
Current Year Receipts	60 000	-
Conditions met - transferred to revenue: Operating Expenses	(15 000)	-

Conditions still to be met - transferred to liabilities (refer note16.1)	45 000	-
--	--------	---

For repairing a fire damaged house on erf 4637, Morestond Riversdal

25.22 Municipal Infrastructure Support Grant

Balance unspent at beginning of year	300 000	-
Current Year Receipts	-	300 000
Conditions met - transferred to revenue: Operating Expenses	(284 190)	-

Conditions still to be met - transferred to liabilities (refer note16.1)	15 810	300 000
--	--------	---------

25.23 Housing Consumer Education

Balance unspent at beginning of year	20 586	20 586
Current Year Receipts	-	-
Conditions met - transferred to revenue: Operating Expenses	-	-

Conditions still to be met - transferred to liabilities (refer note16.1)	20 586	20 586
--	--------	--------

This grant is earmarked for consumer awareness projects

25.24 Municipal Drought Support Grant

Balance unspent at beginning of year	-	-
Current Year Receipts	1 000 000	-
Conditions met - transferred to revenue: Operating Expenses	-	-

Conditions still to be met - transferred to liabilities (refer note16.1)	1 000 000	-
--	-----------	---

25.25 Fire Service Capacity Building Grant

Balance unspent at beginning of year	-	-
Current Year Receipts	1 200 000	-
Conditions met - transferred to revenue: Operating Expenses	-	-

Conditions still to be met - transferred to liabilities (refer note16.1)	1 200 000	-
--	-----------	---

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017		2017	2016
		R	R
26. OTHER GRANTS AND SUBSIDIES - (Statement of Performance)			
<u>Operating</u>		276 616	213 646
Seta	26.1	178 200	179 962
Arbor Day Award	26.7	98 416	-
Business Connexion - Tourism	26.5	-	10 000
National Heritage Council	26.6	-	23 684
<u>Capital</u>		73 480	224 023
Arbor Day Award	26.7	73 480	-
National Lottery Fund	26.3	-	224 023
<u>Total Operating Grants</u>		276 616	213 646
<u>Total Capital Grants</u>		73 480	224 023
<u>26.1 Seta</u>			
Balance unspent at beginning of year		308 074	47 079
Current Year Receipts		128 443	440 957
Conditions met - transferred to revenue: Operating Expenses		(178 200)	(179 962)
Conditions still to be met - transferred to liabilities (refer note16.2)		258 317	308 074
This grant is utilised for various staff skills development programmes			
<u>26.2 Africana Centre</u>			
Balance unspent at beginning of year		6 615	6 615
Current Year Receipts		16 700	-
Conditions met - transferred to revenue: Capital Expenses		-	-
Conditions still to be met - transferred to liabilities (refer note16.2)		23 315	6 615
This was utilised for maintenance and general expenditure			
<u>26.3 National Lottery Fund</u>			
Balance unspent at beginning of year		303 227	-
Current Year Receipts		-	527 250
Conditions met - transferred to revenue: Operating Expenses		-	-
Conditions met - transferred to revenue: Capital Expenses		-	(224 023)
Conditions still to be met - transferred to liabilities (refer note16.2)		303 227	303 227
This grant is earmarked for projects in previously disadvantaged areas			
<u>26.4 Asla Devco - Water Meters Slangrivier</u>			
Balance unspent at beginning of year		273 400	273 400
Current Year Receipts		-	-
Conditions met - transferred to revenue: Capital Expenses		-	-
Conditions still to be met - transferred to liabilities (refer note16.2)		273 400	273 400
This grant is used for the acquisition and installation of water meters in housing schemes			
<u>26.5 Business Enginering</u>			
Balance unspent at beginning of year		-	-
Current Year Receipts		-	10 000
Conditions met - transferred to revenue: Capital Expenses		-	(10 000)
Conditions still to be met - transferred to liabilities (refer note16.2)		-	-
This grant is earmarked for projects in previously disadvantaged areas			
<u>26.6 National Heritage Council</u>			
Balance unspent at beginning of year		-	23 684
Current Year Receipts		-	-
Conditions met - transferred to revenue: Capital Expenses		-	(23 684)
Conditions still to be met - transferred to liabilities (refer note16.2)		-	-
This grant was used for heritage projects			
<u>26.7 Arbor Day Award</u>			
Balance unspent at beginning of year		300 000	-
Current Year Receipts		-	300 000
Conditions met - transferred to revenue: Capital Expenses		(73 480)	-
Conditions met - transferred to revenue: Operating Expenses		(98 416)	-
Conditions still to be met - transferred to liabilities (refer note16.2)		128 104	300 000
This grant was used for heritage projects			

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017		2017	2016
		R	R
27. OTHER INCOME			
Included in other income is the following:			
Capital Contribution: Water and electricity		962 628	750 695
Capital Contribution: Sewerage		222 333	216 522
Building plans		1 090 939	1 117 293
Commission		83 542	81 191
Other Income		2 246 236	2 719 139
Roadworthy Certificates		392 328	355 161
Total		4 998 006	5 240 001
28. EMPLOYEE RELATED COSTS			
Salaries and wages		92 082 297	83 233 270
Contributions for UIF, pensions and medical aids		20 013 880	18 382 744
Travel, motor car,accomodation, subsistence and other allowance		7 584 497	7 441 179
Housing benefits and allowance		1 141 727	1 069 229
Overtime payments		3 973 495	3 409 089
Contribution to provision for post-retirement medical aid benefits		1 117 253	1 836 267
Contribution to long-service provision		1 132 942	1 045 983
Contribution to provision for post-retirement ex-gratia		(11 360)	(4 000)
Total Employee Related Costs		127 034 731	116 413 761
Remuneration of the Municipal Manager			
Annual Remuneration		841 963	1 043 295
Performance Bonus		180 449	168 644
Travel Allowance		30 000	36 000
Telephone allowance		18 113	16 088
Leave		98 766	-
Contributions to UIF, Medical and Pension Fund		167 049	209 629
Total		1 336 340	1 473 657
Remuneration of the Manager Community Services			
Annual Remuneration		632 467	593 023
Performance Bonus		116 366	62 145
Travel Allowance		80 000	80 000
Telephone allowance		39 031	7 200
Contributions to UIF, Medical and Pension Fund		168 592	157 994
Total		1 036 456	900 361
Remuneration of the Manager Streets & Storm water			
Annual Remuneration		93 024	417 403
Performance Bonus		24 284	99 859
Travel Allowance		28 000	4 000
Telephone allowance		2 619	4 200
Leave		-	29 091
Contributions to UIF, Medical and Pension Fund		24 233	84 421
Total		172 160	638 973
Remuneration of the Manager Planning Services			
Annual Remuneration		801 041	758 410
Performance Bonus		135 989	127 093
Travel Allowance		60 000	60 000
Telephone allowance		19 389	7 200
Contributions to UIF, Medical and Pension Fund		168 590	152 940
Total		1 185 009	1 105 643

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017		2017	2016
		R	R
28. EMPLOYEE RELATED COSTS (continued)			
<u>Remuneration of the Manager Financial Services</u>			
Annual Remuneration		695 400	643 474
Performance Bonus		135 989	127 093
Travel Allowance		201 322	201 322
Telephone allowance		16 926	7 200
Contributions to UIF, Medical and Pension Fund		132 909	126 554
<u>Total</u>		1 182 546	1 105 643
<u>Remuneration of the Manager Corporate Services</u>			
Annual Remuneration		770 651	735 275
Performance bonus		127 152	118 834
Telephone allowance		28 102	7 200
Contributions to UIF, Medical and Pension Fund		189 064	172 858
<u>Total</u>		1 114 969	1 034 168
The following compensation was payable to key management personnel in terms of GRAP 25 as at 30 June:			
Post-employment Benefits:-			
Municipal Manager		639 399	501 731
Chief Financial Officer		289 340	334 964
Manager: Corporate Services		172 258	335 633
Manager: Planning		156 987	156 310
Manager: Social		293 758	178 146
Manager: Technical and Engineering Services		-	-
<u>Total</u>		1 551 742	1 506 784
Other Long-term Benefits:-			
Chief Financial Officer		88 777	42 329
Manager: Corporate Services		79 526	70 825
Manager: Planning		74 012	70 673
Manager: Social		181 604	151 419
Manager: Technical and Engineering Services		509	-
<u>Total</u>		424 428	335 245
Staff Leave Benefits:-			
Municipal Manager		27 676	95 890
Chief Financial Officer		66 202	44 559
Manager: Corporate Services		7 497	9 906
Manager: Planning		41 916	37 771
Manager: Social		94 065	75 238
Manager: Technical and Engineering Services		8 966	-
<u>Total</u>		246 322	263 363
29. REMUNERATION OF COUNCILLORS			
Executive Mayor		770 113	782 480
Deputy Executive Mayor		524 907	630 878
Speaker		622 621	630 878
Mayoral Committee Members		1 749 204	1 736 663
Councillors		2 817 042	2 265 758
		6 483 887	6 046 658
Ward committee's - see other expenses		-	-
<u>Total Councillors' Remuneration</u>		6 483 887	6 046 658
In-kind Benefits			
The Executive Mayor, Deputy Executive Mayor, Speaker and Mayoral Committee Members are full-time councillors. Each is provided with an office and secretarial support at the cost of the Council.			
Councillors allowances and benefits are within the upper limits of the framework envisaged in section 219 of the Constitution.			
30. PROVISION FOR IMPAIRMENT OF DEBTORS			
Contribution to bad debt provision - ex I & E		47 471 141	38 268 449
Contribution from bad debt provision		(23 846 152)	(39 370 359)
Bad debts written off		23 846 152	39 370 359
<u>Total</u>		47 471 141	38 268 449
The contribution consist of the following:			
Rates and service debtors		3 185 785	4 380 875
Traffic fines		44 285 356	33 887 574
<u>Total</u>		47 471 141	38 268 449

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017	2017	2016
	R	R
31. DEPRECIATION AND AMORTISATION		Restated
PPE (Note 8)	26 549 670	24 814 915
Intangible assets (Note 9)	21 545	21 545
Total	26 571 215	24 836 460

32. REPAIRS AND MAINTENANCE		
Buildings	1 709 417	
Electrical infrastructure	1 968 905	
Roads/Stormwater infrastructure	3 832 187	
Solid waste infrastructure	326 889	
Waste water infrastructure	1 739 836	
Water infrastructure	856 284	
Furniture and office equipment	277 644	
Machinery and equipment	1 096 049	
Vehicles	4 169 812	
Other assets	288 232	
Total	16 265 255	

33. INTEREST PAID		
Long-term liabilities	12 301 005	8 680 383
Other	5 421 540	5 014 307
Total	17 722 545	13 694 690

34. BULK PURCHASES		
Electricity	87 869 756	80 485 459
Water	5 807 699	5 113 925
Total	93 677 454	85 599 383

Bulk Purchases are the cost of commodities not generated by the municipality, which the municipality distributes in the municipal area for resale to the consumers. Electricity is purchased from Eskom whilst Water is purchased from Overberg water and "Korente Vetterrivier Besproeiingsraad".

35. GENERAL EXPENSES		Restated
Audit Fees - External	2 883 244	2 749 800
Contracted Services - Consultants and Professional Services	2 999 146	3 845 886
Contracted Services - Clean-up	(20 150)	394 255
Contracted Services - Electrical	463 706	328 085
Contracted Services - Other	17 679 430	2 924 442
Chemicals	1 460 777	1 756 372
Insurance	389 272	485 125
Material & Supplies	2 462 637	1 960 657
Other	5 006 907	4 546 387
Housing projects	-	-
SALGA membership	1 317 305	1 173 572
Skills Development	1 007 979	929 800
Software license	1 386 715	1 526 195
Postage & Telephone	2 276 288	2 194 003
Printing & Stationery	722 907	806 059
Software assistance	1 482 720	1 472 289
Transfers & Grants	770 414	514 532
Travelling & Subsistence	944 077	944 879
Vehicle Costs	3 079 038	2 772 930
Workmens Compensation	756 504	689 426
Total	47 068 917	32 014 695

The amounts disclosed above for Other General Expenses are in respect of costs incurred in the general management of the municipality and not direct attributable to a specific service or class of expense.

36. CASH AND CASH EQUIVALENTS		
Cash and cash equivalents included in the cash flow statement comprise the following statement of amounts indicating financial position:		
Bank and Cash on Hand	47 230	47 230
Bank, cash and cash equivalents	211 731 860	206 737 867
Total	211 779 090	206 785 097

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017	2017	2016
	R	R
37. CASH GENERATED BY OPERATIONS		
		Restated
Surplus for the year	138 828 029	57 888 462
<i>Adjustments for:</i>		
Depreciation and amortisation	26 571 215	24 836 460
Gain on disposal of assets	(1 301 440)	-
Loss on disposal of property, plant and equipment and transfers	322 316	218 494
Gain on revaluation of investment property	(2 704 941)	(711 600)
Donated property, plant and equipment	(900 000)	(73 300)
Contribution to provision for impairment of debtors	47 471 141	38 268 449
Increase/(decrease) in Retirement Benefit Liabilities	(865 090)	37 001
Increase in Non-current Provisions	5 566 129	5 559 257
Increase/(decrease) in operating lease liabilities	31 744	45 734
(Increase)/decrease in operating lease assets	(113 329)	(58 101)
Investment & Debtors Interest	(19 615 907)	(13 671 604)
Interest paid	17 722 545	13 694 690
Operating surplus before working capital changes:	211 012 412	126 033 941
(Increase)/Decrease in inventories	230 264	622.79
(Increase)/Decrease in debtors	(26 709 773)	(7 025 178)
(Increase)/Decrease in other debtors	(31 003 951)	(32 985 631)
Increase/(Decrease) in provisions	1 020 191	329 528
Increase/(Decrease) in conditional grants and receipts	(48 716 110)	32 232 125
Increase/(Decrease) in creditors	11 176 656	5 551 477
(Increase)/Decrease in VAT	737 342	(969 078)
Cash generated by operations	117 747 031	123 167 807

38. ADDITIONAL DISCLOSURES IN TERMS OF THE MUNICIPAL FINANCE MANAGEMENT ACT

38.1 Contributions to organised local government - SALGA

Opening Balance	-	-
Council Subscriptions	1 317 305	1 173 572
Amount paid - current year	(1 317 305)	(1 173 572)
Balance at 30 JUNE 2017	-	-

38.2 PAYE and UIF

Opening Balance	-	-
Current year payroll deductions	15 019 856	13 683 988
Amount paid - current year	(15 019 856)	(13 683 988)
Balance at 30 JUNE 2017	-	-

38.3 Pension and Medical Aid deductions

Opening Balance	-	-
Current year payroll deductions	32 666 531	26 847 598
Amount paid - current year	(32 666 531)	(26 847 598)
Balance at 30 JUNE 2017	-	-

38.4 Audit Fees

Opening Balance	-	-
Current year Audit Fees	2 883 244	2 749 800
Amount paid - current year	(2 883 244)	(2 749 800)
Balance at 30 JUNE 2017	-	-

38.5 VAT

VAT input receivables and VAT output receivables are shown in Note 5. These returns have been submitted by the due date throughout the year.

38.6 Councillor's arrear Consumer Accounts

The following Councillor had arrear accounts outstanding for more than 90 days as at 30 JUNE 2017.

	Total	Outstanding up to 90 days	Outstanding more than 90 days
Councillor JL Hartnick	53 049	3 738	49 310
Total councillor arrear consumer accounts	53 049	3 738	49 310

The councillor and municipality have a repayment agreement in terms of the policy of the municipality whereby amounts will be deducted from the monthly salary in order to settle the debt.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017		2017	2016
		R	R
39. Non-Compliance with Chapter 111 of the Municipal Finance Management Act			
No known matters existed at reporting date.			
The Municipality has developed a supply chain management policy, which was approved by Council.			
40. DEVIATION FROM, AND RATIFICATION OF MINOR BREACHES OF, THE PROCUREMENT PROCESS			
In terms of section 36 of the Supply Chain Management Policy approved by Council it is stipulated that bids where the formal procurement processes could not be followed, must be noted in the financial statements. During the year, deviations from the Municipality's Supply Chain Management Policy were noted and are summarised and disclosed in threshold totals as follows:		30 JUNE 2017	30 JUNE 2017
		Number of Cases	R
<R2 000		467	381 453
Sole supplier		2	2 461
Emergency		194	132 658
Exceptional Circumstances		271	246 335
Impractical		-	-
		297	2 372 332
R2 000 - R30 0000		4	47 531
Sole supplier		76	519 158
Emergency		217	1 805 643
Exceptional Circumstances		-	-
Impractical			
		46	3 530 357
R30 000 - R200 000		2	68 400
Sole supplier		7	535 111
Emergency		37	2 926 846
Exceptional Circumstances		-	-
Impractical			
		6	3 529 984
> R200 000		1	1 907 004
Sole supplier		-	-
Emergency		5	1 622 980
Exceptional Circumstances		-	-
Impractical			
Total		816	9 814 126

A complete list, including reasons for deviation per transaction, is available. Below are details of a selection of the larger deviations. Amounts are VAT exclusive.

Department	Service	Provider	Reason for deviation	Amount
Information Technology	Windows and MS Office licenses.	Microsoft Ireland Operations	Microsoft Enterprise Agreement, sole provider of Windows and MS Office licenses.	1 672 811
Finance	Extention of tender agreement of pre-paid electricity service provider.	Ontec Systems	National Treasury's circular 80 of 8 March 2016 recommends that municipalities should not procure additional systems while MSCOA is being implemented.	425 263
Finance	Budget tool	Business Connexion	That in terms of section 3.2.9 of the SCM policy, this deviation be approved since Business Connexion (Pty) Ltd is the sole provider of the budget tool for the Venus financial system.	331 140
Streets, Storm water, parks and Resorts	Recycling services for Albertinia, Heidelberg, Riversdal and Stilbaai by a contractor for 1 March 2017 - 30 June 2017.	Henque Waste	Henque waste is the current service provider for the provision of recycling services, in order to provide time to compile new specifications for this service the request for a deviation was submitted so that this service would not be interrupted.	257 435
Electrical Services	Monitoring of geyser burden management system.	Powertech System Integrators	Other brands are not compatible with the existing unit, and Powertech is the OEM of the geyser load control equipment and as such the only service provider that can maintain the system.	216 752
Streets, Storm water, parks and Resorts	Contract HES-WRS 04/1213 – the collection of recycling waste within the Hessequa municipal area.	Henque Waste	At the Portfolio Committee meeting the descision was made that Hessequa municipality will continue with the rendering of recycling services to the community and that this be workshopped with the council prior to the advertisement. Consequently the contract will lapse by the time of award and/or extension, therefore the reason for deviation.	193 076
Water, sewerage and sanitation	Repair two water pumps at Olice Grove Water works.	Hidro-Tech Systems	Exceptional case and it was impractical or impossible to follow the official procurement processes.	170 960
Electrical Services	Repair of loader CCC 5486 RD 0390 5J	M Briers Landboudienste	Service provider appointed by means of the rotation register.	164 473
Water, sewerage and sanitation	Repair and supply of material to upgrade the Dennedal Uf plant to a fully operational state.	Ikusasa Chemicals	The plant was out of commission and needed to be repaired urgently to provide water to the community.	143 040
Water, sewerage and sanitation	Removal of oxidation pond/liquid at Gouritzmond WWTW and safely disposing at Albertinia WWTW	Jetvac South Africa	Written correspondence received from the Department of Environmental Affairs and Development Planning indicated the concern of the capacity of the oxidation dam and the inherent risk of a spill-over and contamination of the environment. Therefore this service is considered an emergency.	131 578

41. RELATED PARTY TRANSACTIONS

41.1 Services rendered to Related Parties

During the year the municipality rendered services to related parties such as Councillors, Municipal Manager and Section 57 Personnel.

The services rendered to Related Parties are charged at approved tariffs that were advertised to the public. No Bad Debts were written off or recognised in respect of amounts owed by Related Parties.

The amounts outstanding are unsecured and will be settled in cash. Consumer Deposits were received from Councilors, the Municipal Manager and Section 57 Personnel not on the salary deduction list. No expense has been recognised in the period for bad or doubtful debts in respect of the amounts owed by related parties.

41. RELATED PARTY TRANSACTIONS - (continued)

41.2 Loans granted to Related Parties

In terms of the MFMA, the municipality may not grant loans to its Councilors, Management, Staff and Public with effect from 1 July 2004. Loans, together with the conditions thereof, granted prior to this date are disclosed in Note 12 to the Annual Financial Statements.

41.3 Interest of Related Parties

Councillors and/or management of the municipality had no relationships with businesses during the financial period.

41.4 Compensation of Related Parties

Compensation of Key Management Personnel and Councilors is set out in Notes 28 and 29 respectively, to the Annual Financial Statements.

41.5 Purchases from Related Parties

The municipality procured services from the following service providers, which are considered to be Related Parties as per the definition in the Supply Chain Management Policy:

	Related Person	Capacity	Municipal Capacity	2017 R	2016 R
Service Provider					
Stilbaai Panelbeaters	AJ Hopley	Owner	Foreman	64 844	56 816
Seasons Find 982 CC	YJ Daniels	Owner	Admin Clerk	246 000	-
Henna's Catering	E du Preez	Owner	Cashier/Clerk	65 128	59 630
JI Daries	H Daries	Owner	Care Taker	1 600	510
EJ Electrical	E Prins	Owner	Clerk: SCM, contracts	157 550	-
HAH Motors T/A Pro Motors	A Stroebeel	Owner	Councillor	328 342	-
La Bella Deli & Restaurant	AM Joubert	Owner	Councillor	14 000	-
Heidelberg Motors	K Gunter	Owner	Library Assistant	0	696 001
CRR General Dealers	CJ Riddles	Owner	Handyman	43 066	44 050
CP Precision Management / C Paulsen	E Snyers	Owner	Head: Employee relations	0	120 950
N Cronje t/a WG Pompe	M Cronje	Owner		57 498	-
Total				978 028	977 957

The transactions were concluded in compliance with the municipality's Supply Chain Management policy. The transactions are considered to be at arm's length.

42. COMMITMENTS FOR EXPENDITURE

Capital Commitments

Commitments in respect of Capital Expenditure:

- Approved and Contracted for:-		
Infrastructure	15 408 888	84 884 508
Community	-	646 094
Total Capital Commitments	15 408 888	85 530 602

This expenditure will be financed from:

- Own funds, grants and subsidies and external finance	15 408 888	85 530 602
	15 408 888	85 530 602

(Including VAT)

43. AFTER BALANCE SHEET EVENTS

No events having financial implications requiring disclosure occurred subsequent to 30 JUNE 2017.

44. RETIREMENT BENEFIT INFORMATION

The personnel of the Hessequa Municipality are members of the funds as set out below. These schemes are subject to either a tri-annual, bi-annual or annual actuarial valuation, details which are provided below. The Cape Joint Pension Fund is a defined benefit fund, whereas the Cape Joint Retirement Fund, Municipal Councilors Fund, The Provident Fund and The National Fund for Municipal Workers are defined contribution funds. Sufficient information is not available to use defined benefit accounting for the pension and retirement funds, due to the following reasons:

- The assets of each fund are held in one portfolio; these assets are not nationally allocated to each of the participating employers.
- One set of financial statements are compiled for each fund and financial statements are not drafted for each participating employer.
- The same rate of contributions applies to all participating employers.

It is therefore seen that each fund operates as a single entity and is not divided into sub-funds for each participating employer.

The only obligation of the municipality with respect to the retirement benefit plans is to make the specified contributions. Where councilors / employees leave the plans prior to full vesting of the contributions, the contributions payable by the municipality are reduced by the amount of forfeited contributions.

44.1 DEFINED BENEFIT SCHEMES

Cape Joint Pension Fund

The scheme is subject to an annual actuarial valuation. The last statutory valuation was performed as at 30 June 2015.

The statutory valuation performed as at 30 June 2015 revealed that the fund had a surplus of R21,9 (30 June 2014: surplus of R23,3) million, with a funding level of 153,1% (30 June 2014: 101,7%). The balance of the Solvency Reserve was R59,8 (30 June 2014: R59,9) million. The contribution rate paid by the members (9,00%) and the municipalities (26,77%) is less than the recommended contribution rate of 32,11%. The shortfall of 5,34% of pensionable salaries amounts to about R262 000 a year.

Cape Joint Pension Fund

This scheme was established to accommodate the unique characteristics of contract employees and ‘cost to company’ employees. All existing members were given the option to transfer to the defined contribution plan before 1 July 2003. The actuary report certified that the structure of the assets is appropriate relative to the nature of the liabilities, assuming a smoothed bonus philosophy, and given normal circumstances.

The valuation performed as at 30 June 2015 revealed that the fund had a surplus of R0 (30 June 2014: surplus of R0) with a funding level of 100% (30 June 2014: 100%). The fund was in a sound financial condition at the valuation date and the assets of the fund were sufficient to cover members' shares and the reserve accounts at the date of the valuation.

The actuary concluded that :

- The Pensioner Account has a surplus of R28,015 million and a funding level of 101.4%. The surplus in the Pensioner Account at the valuation date is sufficient to increase the pension increase target from 60% to 70% of price inflation. However, caution is advisable given lower investment returns after the valuation date.
- The balance of the DB Section for DB active members has a surplus of R21.9 million and a funding level of 153.1%.
- The DC Section has a funding level of 100.0% and no surplus.
- There is a future service contribution rate shortfall of 5.34% of salary in respect of 32 remaining DB active members after the transfer of DB active members to the DC Section.
- The Trustees granted a pension increase of 3% effective 1 January 2016 and a bonus of 75% of monthly pension payable in December 2015. Pro-rata pension increases and bonus apply for pensions in payment for less than one year. The pension increase and bonus are affordable given the healthy funding level of the Pensioner Account and the excellent investment returns achieved over the last three years.

The actuary certified that the Fund is in a sound financial condition as at 30 June 2015, the nature of the assets is suitable for the Fund and the Fund's investment strategy is suitable, except that the proportion of direct property underlying the pensioner liabilities may represent an over-concentration of assets in this asset class. Furthermore the assets are appropriately matched relative to the term and nature of the liabilities and the risk benefits for the remaining active members of the DB Section are partially re-insured. This may result in volatile death benefit experience for the Fund. It would be more appropriate to re-insure the full value of these death benefits. Finally the risk benefits of the DC Section are fully re-insured and this is appropriate for the size and nature of the Fund.

Cape Joint Retirement Fund

The scheme is subject to an annual actuarial valuation. The last statutory valuation was performed as at 30 June 2014.

The statutory valuation performed as at 30 June 2014 revealed that the assets of the fund amounted to R17,172,854 (30 June 2013: R13,607,813) million, with funding levels of 99,9% and 112,6% (30 June 2013: 100,2% and 105,1%) for the Share Account and the Pensions Account respectively. The contribution rate paid by the members (9%) and the municipalities (8%) is sufficient to fund the benefits accruing from the fund in the future.

This scheme was established to accommodate the unique characteristics of contract employees and ‘cost to company’ employees. All existing members were given the option to transfer to the defined contribution plan before 1 July 2003. The actuary report certified that the structure of the assets is appropriate relative to the nature of the liabilities, assuming a smoothed bonus philosophy, and given normal circumstances.

Municipal Councillors' Pension Fund

The scheme is subject to a tri-annual actuarial valuation. The last statutory valuation was performed as at 30 June 2015.

The statutory valuation performed as at 30 June 2015 revealed that the net assets of the fund were R2 551,9 (30 June 2012: R1 183,5) million, with a funding level of 101,8% (30 June 2012: 99,5%). The contribution rate paid by the members (13,75%) and Council (15,00%) is sufficient to fund the benefits accruing from the fund in the future.

At 30 June 2015 the fund showed an excess of R27,7 (2012: deficit R6,4) million before allowing for reserves and was certified to be in a sound financial condition by the actuaries, Moruba Consultants and Actuaries.

As reported by the Actuaries, the Fund was following an appropriate investment strategy duiring the valuation period.

SALA Pension Fund:

The scheme is subject to an annual actuarial valuation. The last statutory valuation was performed as at 30 June 2015.

The statutory valuation performed as at 30 June 2015 revealed that the assets of the fund amounted to R14,008.9 (30 June 2014: R12,658.2) million, with funding levels of 100,0% (30 June 2013: 100,0%). The contribution rate paid by the members (7.92%) and Council (19.8%) is sufficient to fund the benefits accruing from the fund in the future.

National Fund For Municipal Workers

The fund operates as a defined contribution fund and in terms of the rules of the fund category A and category C members contribute at a rate as agreed upon by the Local Authority and the member, subject to an absolute minimum contribution of 2% and 5% of their remuneration respectively. The Local Authority must contribute in respect of category A and category C members such an amount as agreed between the Local Authority and the fund, subject to a minimum contribution rate of 2% and 5% of their remuneration respectively. Category B members are members who belong to both category A and C and the Local Authority must, on behalf of such members, not contribute less than 7% of their remuneration. The contribution rates stipulated above include the amount payable towards the insured risk benefits policy.

The statutory valuation performed as at 30 June 2014 revealed that the assets of the fund amounted to R9,031,759,000 (30 June 2013 : R6,981,450,000), with funding levels of 100.10% (30 June 2013: 99.97%). The actuary certified that the assets of the fund are sufficient to cover 100.10% of the members' liabilities, also that it can be expected that the funding level of a fund of this nature will fluctuate around 100%, for example due to timing differences in investment and receipt of monies, slight mismatching of assets and liabilities and processing errors.

South African Municipal Workers Union National Provident Fund

The scheme is subject to an tri-annual actuarial valuation. The last statutory valuation was performed as at 30 June 2014.

The statutory valuation performed as at 30 June 2014 revealed that the fund had a surplus of R689,1 (30 June 2011: surplus of R413,6) million, with a funding level of 111,7% (30 June 2011: 111,1%). Members contribute at a rate of not less than 7,5% and Council not less than 18,0% of pensionable salaries. The Fund was in a very sound financial condition at date of the valuation and the Fund's assets were sufficient to cover the members' Fund Credits, the Risk Benefits Reserve and the Data Reserve, and to provide for an investment smoothing reserve of 5,5% of members' Fund Credits as at 30 June 2014.

An amount of R14,736 million (2016: R13,308 million) was contributed by Council towards councilor and employee retirement funding. These contributions have been expensed.

45. GUARANTEES

Guarantees were issued in favor of Eskom in the amount of R70 200. The guarantees were given in lieu of a cash deposit, and if we do not pay the account, Eskom can encash the guarantee.

46. IN-KIND DONATIONS AND ASSISTANCE

The municipality did not receive any in-kind Donations and Assistance during the year under review.

47. CORRECTION OF ERRORS IN TERMS OF GRAP 3

Errors and other restatements in the prior years transactions were discovered and were corrected in the current year's financial statements. Details of these errors and restatements are as follows:

47.1 Inventory

The prior year amount for inventory has been restated to correctly disclose the value at year end. Items of inventory were discovered at the end of the year in The Riversdal Main Stores and Electricity Stores that were not previously accounted for. These items were already in stock at the end of the prior year. No information regarding the date when these items were purchased, were available and therefore the correction was made in the opening balance of the prior year. No discounting was done as limited information is available.

Balance published as at 30 June 2016	2 850 213
Correction of stores items on hand during prior periods not previously accounted for	565 657
Restated balance as at 30 June 2016 - see note 2	3 415 870

47.2 Property, Plant and Equipment

Balances as published as at 30 June 2016	634 873 236
IMQS infrastructure improved unbundling - Infrastructure cost - opening balance	16 562
IMQS infrastructure improved unbundling - Other assets cost - opening balance	(16 562)
IMQS infrastructure improved unbundling - Infrastructure accumulated depreciation - opening balance	3 740 459
IMQS infrastructure improved unbundling - Other assets accumulated depreciation - opening balance	2 208
IMQS infrastructure improved unbundling - Infrastructure accumulated depreciation - prior year	643 505
IMQS infrastructure improved unbundling - Other assets accumulated depreciation - prior year	1 104
Land incorrectly not previously recognised	319 700
Land not under the control of the municipality incorrectly previously recognised - Cost opening balance	(3 789 500)
Land not under the control of the municipality incorrectly previously recognised - Accumulated impairment opening balance	70 000
Investment Property incorrectly previously recognised as Property, plant and equipment - Land cost opening balance	(16 706 359)
Investment Property incorrectly previously recognised as Property, plant and equipment - Land accumulated impairment opening balance	811 800
Correction of accumulated impairment - Land opening balance	(881 500)
Capitalisation of housing projects previously expensed	15 952 198
Restated balance as at 30 June 2016	635 036 851

47.3 Investment Property

Balances as published as at 30 June 2016	51 377 600
Investment Property incorrectly not previously recognised	1 035 000
Investment Property incorrectly previously recognised as Property, plant and equipment	15 894 559
Restated balance as at 30 June 2016	68 307 159

47.4 General expenses

Housing projects were found that were previously expensed, were corrected during the prior year to capitalise the costs to projects under construction. Restatement as follows:

STATEMENT OF FINANCIAL PERFORMANCE:

Balance published as at 30 June 2016	39 231 761
Prior year adjustment	-7 217 066
Restated balance as at 30 June 2016	32 014 695

Accumulated Surplus

Corrections were made and appropriated to the Accumulated Surplus Account during the financial year ended 30 June.

Details of the appropriations are as follows:

Balance as published as at 30 June 2015	530 040 251
Correction of inventory	565 657
Housing projects under construction previously expensed	8 735 132
Correction of accumulated depreciation due to IMQS improved unbundling	3 742 667
Investment Property incorrectly not previously recognised	1 035 000
Land incorrectly not previously recognised	319 700
Land not under the control of the municipality incorrectly previously recognised	(3 719 500)
Correction of accumulated impairment - Land	(881 500)
Restated balance as at 30 June 2015 - Refer to note 22	539 837 407

Appropriations to the 2015/2016 profit and loss

Surplus for the year as previously stated:	50 026 787
Capitalisation of housing projects: Decrease in General Expenses - Contracted Services - Other	7 217 066
Correction of accumulated depreciation due to IMQS improved unbundling	644 609
Restated balance as at 30 June 2016	57 888 463

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017			2017	2016
			R	R
48. TRUST FUNDS				
Nature Development - Stilbaai			1 689 699	1 602 655
Elsje Koorts Tuberculosis Fund			231 648	213 501
Total Trust Funds			1 921 347	1 816 155

49. FINANCIAL INSTRUMENTS

49.1 Classification of Financial Instruments

FINANCIAL ASSETS

Financial Assets		Classification		
In accordance with Grap 104 the Financial Assets of the municipality are classified as follows:				
Long-term Receivables				
Sport clubs/Pre-primary School	Note 12	Amortised cost	12 871	15 505
Consumer Debtors				
Rates	Note 4	Amortised cost	11 077 746	10 561 404
Electricity	Note 3	Amortised cost	15 848 406	14 932 686
Water	Note 3	Amortised cost	7 823 971	7 325 709
Sewerage	Note 3	Amortised cost	6 020 613	5 639 744
Waste Management	Note 3	Amortised cost	3 359 966	3 066 549
Other	Note 3	Amortised cost	5 342 557	5 083 546
Less: Provision for Impairment	Note 3	Amortised cost	(22 330 438)	(21 762 057)
Current Portion of Long-term Receivables				
Sport clubs/Pre-primary School	Note 12	Amortised cost	2 634	3 326
Cash and Cash Equivalents				
Call Deposits	Note 6	Amortised cost	200 359 524	203 506 149
Bank balances and Cash Floats	Note 6	Amortised cost	11 419 565	3 278 947
			238 937 415	231 651 508

SUMMARY OF FINANCIAL ASSETS

Loans and Receivables:				
Long-term Receivables	Note 12	Sport clubs/Pre-primary School	12 871	15 505
Consumer Debtors	Note 3	Rates	11 077 746	10 561 404
Consumer Debtors	Note 3	Electricity	15 848 406	14 932 686
Consumer Debtors	Note 3	Water	7 823 971	7 325 709
Consumer Debtors	Note 3	Sewerage	6 020 613	5 639 744
Consumer Debtors	Note 3	Waste Management	3 359 966	3 066 549
Consumer Debtors	Note 3	Other	5 342 557	5 083 546
Consumer Debtors		Less: Provision for Impairment	(22 330 438)	(21 762 057)
Current Portion of Long-term Receivables	Note 12	Sport clubs/Pre-primary School	2 634	3 326
Bank, Cash and Cash Equivalents	Note 6	Bank Balances, Cash Floats and Advances	211 779 090	206 785 097
			238 937 415	231 651 508
TOTAL FINANCIAL ASSETS			238 937 415	231 651 508

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017				2017	2016
				R	R
49. FINANCIAL INSTRUMENTS - (continued)					
FINANCIAL LIABILITIES					
Financial Liabilities		Classification			
Long-term Liabilities					
Annuity Loans	Note 18	Amortised cost		111 556 514	107 294 319
Consumer Deposits					
Electricity and Water	Note 13	Amortised cost		5 161 333	4 413 645
Creditors					
Trade Creditors	Note 15	Amortised cost		33 189 258	27 163 931
Retentions	Note 15	Amortised cost		7 526 915	3 776 224
Other Creditors	Note 15	Amortised cost		13 890 108	12 606 899
Current Portion of Long-term Liabilities					
Annuity Loans	Note 18	Amortised cost		15 737 596	14 565 900
				187 061 724	169 820 918

SUMMARY OF FINANCIAL LIABILITIES

Long-term Liabilities	Note 18	Annuity Loans	111 556 514	107 294 319
Consumer Deposits	Note 13	Electricity and Water	5 161 333	4 413 645
Creditors	Note 15	Trade Creditors	33 189 258	27 163 931
Creditors	Note 15	Retentions	7 526 915	3 776 224
Creditors	Note 15	Other Creditors	13 890 108	12 606 899
Current Portion of Long-term Liabilities	Note 18	Annuity Loans	15 737 596	14 565 900
TOTAL FINANCIAL LIABILITIES			187 061 724	169 820 918

49.2 Fair Value of Financial Instruments

In accordance with GRAP 104, the Fair Values of Financial Assets and Financial Liabilities, together with the carrying amounts shown in the Statement of Financial Position, are as follows:

The management of the municipality is of the opinion that the carrying value of Financial Assets and Financial Liabilities recorded at amortised cost in the Annual Financial Statement approximate their fair values. The fair value of Financial Assets and Financial Liabilities were determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties as well as the current payment ratio's of the municipality's debtors. (All carrying amounts listed below = fair value and no disclosure of fair value is required when the carrying amount of financial instruments is a reasonable approximation of fair value)

FINANCIAL ASSETS

Loans and Receivables

Long-term Receivables
Call Deposits
Consumer Debtors
Bank Balances and Cash
Current Portion of Long-term Receivables

Total Financial Assets

FINANCIAL LIABILITIES

Loans and receivables:

Unsecured Bank Facilities:

- Annuity Loans

Trade and Other Payables:

Consumer Deposits
Creditors

Total Financial Liabilities

30 JUNE 2017		30 JUNE 2016	
Carrying Amount	Fair Value	Carrying Amount	Fair Value
238 937 415	238 937 415	231 651 508	231 651 508
12 871	12 871	15 505	15 505
200 359 524	200 359 524	203 506 149	203 506 149
27 142 821	27 142 821	24 847 581	24 847 581
11 419 565	11 419 565	3 278 947	3 278 947
2 634	2 634	3 326	3 326
238 937 415	238 937 415	231 651 508	231 651 508
127 294 110	127 294 110	121 860 219	121 860 219
127 294 110	127 294 110	121 860 219	121 860 219
59 767 614	59 767 614	47 960 699	47 960 699
5 161 333	5 161 333	4 413 645	4 413 645
54 606 281	54 606 281	43 547 054	43 547 054
187 061 724	187 061 724	169 820 918	169 820 918

49. FINANCIAL INSTRUMENTS - (continued)

Assumptions used in determining Fair Value of Financial Assets and Financial Liabilities

The fair value of Financial Assets and Financial Liabilities were determined after considering the standard terms and conditions of agree-ments entered into between the municipality and other parties as well as the current payment ratio's of the municipality's debtors.

49.3 Capital Risk Management

The municipality manages its capital to ensure that the municipality will be able to continue as a going concern while delivering sustainable services to consumers through the optimisation of the debt and equity balance. The municipality's overall strategy remains unchanged. The capital structure of the municipality consists of debt, which includes the Long-term Liabilities disclosed in Note 19, Bank, Cash and Cash Equivalents and Equity, comprising Funds, Reserves and Accumulated Surplus and the Statement of Changes in Net Assets.

49.4 Significant Accounting Policies

Details of the significant Accounting Policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect or each class of Financial Asset, Financial Liability and Equity Instrument are disclosed in the Accounting Policies to the Annual Financial Statements.

49.5 Financial Risk Management Objectives

Due to the largely non-trading nature of activities and the way in which they are financed, municipalities are not exposed to the degree of financial risk faced by business entities. Financial Instruments play a much more limited role in creating or changing risks that would be typical of listed companies to which the IAS's mainly apply. Generally, Financial Assets and Liabilities are generated by day-to-day operational activities and are not held to manage the risks facing the municipality in undertaking its activities.

The Directorate: Financial Services monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk, credit risk and liquidity risk. Compliance with policies and procedures is reviewed by the internal auditors on a continuous basis, and annually by external auditors. The municipality does not enter into or trade financial instruments for speculative purposes.

Internal audit, responsible for initiating a control framework and monitoring and responding to potential risk, reports periodically to the municipality's audit committee, an independent body that monitors the effectiveness of the internal audit function.

49.6 Market risk

The municipality's activities expose it primarily to the financial risks of changes in interest rates (see Note 49.7 below). No formal policy exists to hedge volatilities in the interest rate market.

49.7 Interest Rate Risk Management

Interest Rate Risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes.

Potential concentrations of interest rate risk consist mainly of fixed deposit investments, long-term deposit investments, other debtors, short-term investment deposits and bank and cash balances.

The municipality is exposed to interest rate risk as the municipality borrows funds at both fixed and floating interest rates. The risk is managed by the municipality by maintaining an appropriate mix between fixed and floating rate borrowings, by the use of interest rate swap contracts and forward interest rate contracts. Hedging activities are evaluated regularly to align with interest rate views and defined risk appetite; ensuring optimal hedging strategies are applied, by either positioning the balance sheet or protecting interest expense through different interest rate cycles.

49.8 Liquidity Risk Management

Ultimate responsibility for liquidity risk management rests with the Council. The municipality manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Liquidity and Interest Risk Tables

The following tables detail the municipality's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the municipality can be required to pay. The table includes both interest and principal cash flows.

	Average effective interest rate	Within 1 year	2 - 5 years	More than 5 Years	Total
Description	%	R	R	R	R
30 JUNE 2017					
Development Bank	8.90% - 11.56%	11 734 207	38 455 094	10 514 951	60 704 252
ABSA	10.20%	3 236 975	12 947 899	16 184 874	32 369 748
Nedbank	9.01%	3 783 945	15 135 781	-	18 919 726
First National Bank	11.40%	2 520 900	5 041 799	-	7 562 699
Standard Bank	11.26%	7 274 239	29 096 956	29 086 574	65 457 770
Trade Creditors	0%	33 189 258			33 189 258
Retentions	0%	7 526 915			7 526 915
Other Creditors	0%	13 890 108			13 890 108
		83 156 547	100 677 529	55 786 399	239 620 475
30 JUNE 2016					
Development Bank	9.33% - 11.56%	13 293 791	43 690 276	17 016 971	74 001 038
Nedbank	9.01%	3 769 142	15 076 567	3 769 142	22 614 850
First National Bank	11.40%	2 520 900	7 562 699	-	10 083 598
Standard Bank	11.26%	7 278 313	29 113 250	36 391 563	72 783 126
Trade Creditors	0%	27 163 931			27 163 931
Retentions	0%	3 776 224			3 776 224
Other Creditors	0%	12 606 899			12 606 899
		70 409 199	95 442 791	57 177 676	223 029 666

The municipality has access to financing facilities, the total unused amount which is R100,000 at the reporting date. The municipality expects to meet its other obligations from operating cash flows and proceeds of maturing financial assets. The municipality expects to maintain current debt to equity ratio. This will be achieved through increasing tariffs and the increased use of unsecured bank loan facilities.

49.9 Credit Risk Management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the municipality.

Potential concentrations of credit risk consist mainly of fixed deposit investments, long-term debtors, consumer debtors, other debtors, short-term investment deposits and bank and cash balances.

The municipality limits its counterparty exposures from its money market investment operations (financial assets that are neither past due nor impaired) by only dealing with well-established financial institutions of high credit standing. The credit exposure to any single counterparty is managed by setting transaction / exposure limits, which are included in the municipality's Investment Policy. These limits are reviewed annually by the Chief Financial Officer and authorised by the Council.

Consumer debtors comprise of a large number of ratepayers, dispersed across different industries and geographical areas. Ongoing credit evaluations are performed on the financial condition of these debtors. Consumer debtors are presented net of an allowance for doubtful debt.

In the case of debtors whose accounts become in arrears, it is endeavored to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

Long-term Receivables and Other Debtors are individually evaluated annually at balance sheet date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

The municipality does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The municipality defines counterparties as having similar characteristics if they are related entities. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings.

The maximum credit risk exposure in respect of the relevant financial instruments is as follows:

Long-term Receivables	15 505	18 831
Consumer Debtors	20 823 537	18 759 905
Other Debtors	26 167 379	18 005 045
Bank and Cash Balances	211 779 090	206 785 097
Maximum interest and credit risk exposure	258 785 510	243 568 877

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017			2017	2016
			R	R
50. UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE				
50.1 Unauthorised expenditure				
Reconciliation of unauthorised expenditure:				
Opening balance			10 599 794	8 545 526
Unauthorised expenditure current year - capital			-	59 915
Unauthorised expenditure current year due to budget exceeded - operating			11 404 393	10 539 879
Approved by Council or condoned			(10 591 142)	(8 545 526)
Amount allocated to incorrect department prior year - not unauthorised			(8 652)	-
Unauthorised expenditure awaiting authorisation:			11 404 393	10 599 794

The recoverability of the unauthorised expenditure will be determined by Council after an investigation by a Council Committee in terms of Section 32 of the MFMA

Operating budget

	2017 R Actual	2017 R Budget	2017 R Variance	2017 R Unauthorised
Executive & Council	21 377 251	25 010 980	(3 633 729)	-
Finance & Admin	43 327 122	54 639 418	(11 312 296)	-
Planning & Development	8 240 496	9 084 615	(844 119)	-
Community & Social Services	12 222 177	13 802 503	(1 580 326)	-
Housing	17 762 395	28 459 548	(10 697 153)	-
Public Safety	61 957 533	50 553 140	11 404 393	11 404 393
Environmental Conservation	1 589 846	1 835 033	(245 187)	-
Sport & Recreation	20 354 182	22 678 767	(2 324 585)	-
Road Transport	32 779 967	37 731 002	(4 951 035)	-
Waste Water Management/Sewerage	23 672 734	25 444 858	(1 772 124)	-
Waste Management/Solid Waste	26 178 823	28 645 174	(2 466 351)	-
Water	28 238 258	29 930 228	(1 691 970)	-
Electricity	124 267 420	130 263 096	(5 995 676)	-
Hessequa Tourism	1 074 071	1 244 436	(170 365)	-
Total	423 042 275	459 322 798	(36 280 523)	11 404 393

Actual income from traffic fines was much higer with a higher actual provision for impairment than what was budgeted for.

Capital budget

	2017 R Actual	2017 R Budget	2017 R Variance	2017 R Unauthorised
Finance and Admin	2 451 037	4 410 510	(1 959 473)	-
Community and Social Services	1 451 679	1 723 338	(271 659)	-
Hessequa Tourism	1 031	1 800	(769)	-
Electricity	5 516 237	5 713 000	(196 763)	-
Executive and Council	170 091	173 210	(3 119)	-
Planning and Development	12 769	18 800	(6 031)	-
Housing	19 350	19 650	(300)	-
Public Safety	1 432 955	3 346 400	(1 913 445)	-
Road Transport	90 187 596	108 872 511	(18 684 915)	-
Sport and Recreation	2 701 557	3 031 050	(329 493)	-
Waste Management / Solid waste	618 186	693 545	(75 359)	-
Waste Water Management / Sewerage	25 690 119	32 322 084	(6 631 965)	-
Water	8 837 526	13 476 039	(4 638 513)	-
Total	139 090 133	173 801 937	(34 711 804)	-

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017			2017	2016
			R	R
50. UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE (Continued)				
50.2 Fruitless and wasteful expenditure				
Reconciliation of fruitless and wasteful expenditure:				
Opening balance			279 012	755 060
Electricity losses above the threshold (Refer note 51)			-	-
Water losses above the threshold (Refer note 51)			261 879	279 012
Fruitless and Wasteful Expenditure awaiting condonement			540 891	1 034 072
Less: Approved by Council or condoned on 12 January 2017			(279 012)	(755 060)
Fruitless and wasteful expenditure awaiting authorisation:			261 879	279 012

Abovementioned Fruitless and wastefull expenditure is not recoverable. The recoverability of the fruitless and wasteful expenditure will be determined by the council after an investigation by a council committee in terms of sect. 32 of the MFMA. There are currently no disciplinary steps or criminal proceedings on these fruitless and wastefull expenditure.

Possible fruitless and wasteful expenditure with a telecommunications provider is currently under investigation. Information required for the investigation is in the process of being obtained and therefore the nature and amount is uncertain.

50.3 Irregular expenditure				
Reconciliation of irregular expenditure:				
Opening balance			1 680 996	13 640 877
Irregular expenditure current year			-	-
Condoned or written off			(1 680 996)	(11 959 881)
Irregular expenditure awaiting condonement			-	1 680 996

No Irregular expenditure was incurred during 2016/2017.

The classification, validation and recoverability of the irregular expenditure will be determined by the council after an investigation by a council committee in terms of sect. 32 of the MFMA

Electricity distribution losses

- Units purchased (Kwh)	89 513 700	87 433 289
- Units lost during distribution (Kwh)	8 290 400	8 579 863
- Percentage lost during distribution	9.26%	9.81%

Electricitrcal losses can be placed in two categories, namely Technical and Non-Technical losses.

Technical losses are the losses within the distribution network caused by the resistance to the flow of electricity forming part of items such as overhead lines, cables and transformers. Since Hessequa Municipality provides power to a number of towns (holiday destinations), with a very low load factor, which is also developed along the coast in long narrow sections resulting in long radial electrical feeders, the technical losses are higher than that of the other towns. Faulty meters are replaced as soon as they are reported.

Non-Technical losses are due to:

- Illegal connections
- Electricity theft
- Tampering with meters
- Meters not read correctly
- Faulty meters
- By-passing of meters

NERSA indicated that a 12% loss is regarded as normal.

Water Inventory

The following losses were calculated during the comparison of water purchases against water sales:

Riversdale

Kiloliters purchased	954 542	1 117 282
Movement in stock	-	-
Kiloliters sold	867 385	828 175
Kiloliters lost in distribution	87 157	289 107
Percentage loss in distribution	9.13%	25.88%
Cost per kiloliter	R 0.50	R 0.49
Total cost in Rand	43 641	141 662
Amount greater than 12% transferred to fruitless expenditure	-	75 966

Heidelberg and Witsand

Kiloliters purchased	590 597	564 796
Movement in stock	-	(164)
Kiloliters sold	502 303	475 392
Kiloliters lost in distribution	88 294	89 568
Percentage loss in distribution	15%	16%
Cost per kiloliter	R 7.72	R 7.94
Total cost in Rand	681 630	711 170
Amount greater than 12% transferred to fruitless expenditure	134 501	173 032

Slangrivier

Kiloliters purchased	97 037	91 056
Movement in stock	-	-
Kiloliters sold	69 510	67 727
Kiloliters lost in distribution	27 527	23 329
Percentage loss in distribution	28%	26%
Cost per kiloliter	R 8.02	R 2.42
Total cost in Rand	220 767	56 456
Amount greater than 12% transferred to fruitless expenditure	127 378	30 014
Total amount transferred to fruitless expenditure (Refer note 50.2)	261 879	279 012

Losses of up to 12% is regarded as normal. This has not been included in the figures above.

Water Losses occur due to inter alia, leakages, the tampering of meters, the incorrect ratios used on bulk meters, faulty meters and illegal water connections. The problem with tampered meters and illegal connections is an ongoing process, with regular action being taken against defaulters. Faulty meters and leakages are replaced/repared as soon as they are reported. The loss of water is further indicative of ageing infrastructure assets requiring improved maintenance and upgrading. Council is however currently investigating further possibilities to reduce the loss. The water infrastructure is very old, and millions of Rands is required to finance the backlog.

52. CONTINGENT LIABILITIES

Save for the normal handovers of outstanding debtors accounts, litigation that Council was involved in, is as follows:

Case	Evaluation	R
HM v Breedt (Erf 710 Witsand)	This is a Planning and Building Control matter. The matter is currently pending in the Wester Cape High Court. The parties are in process of settling the case. No monetary value can be established yet.	-
DB Joubert v HM	Applicant claimed damages from the Municipality regarding flood damage suffered a number of years ago. The matter is still ongoing and the Municipality has appointed Attorneys in this regard. The matter is set for trial in the George Regional Court on 8 August 2017. R14 708 have already been paid but further costs to be incurred cannot be established yet.	-
HM v National Government	The municipality is in a dispute with National Government regarding the Disaster Recovery Fund. The municipality did not adhere to the fund roll-over request procedures and National Government has taken steps to recover R18 481 000 of this grant. The municipality is disputing the matter. An amount of R11 519 000 already reverted before year end. The full amount is in dispute.	18 481 000

53. COMPARATIVE FIGURES

The comparative figures were restated as a result of the effect of Prior Period Errors (Note 47).

54. GOING CONCERN ASESSMENT

Management considered the following matters relating to the Going Concern:

- (i) On 30 May 2016 the Council adopted the 2016/17 Budget, which indicated that the Budget was cash backed for the period. Financial constraints to finance capital projects, will be resolved by selling parts of Municipalities land.
- (ii) Strict daily cash management processes are embedded in the municipality's operations to manage and monitor all actual cash inflows and cash outflows in terms of the cash-flow forecast supporting the Budget. The cash management processes is complemented by weekly and monthly reporting, highlighting the actual cash position, including the associated risks and remedial actions to be instituted.
- (iii) As the municipality has the power to levy fees, tariffs and charges, this will result in an on going inflow of revenue to support the on-going delivery of municipal services. Certain key financial ratios, such as liquidity, cost coverage, debtors' collection rates and creditors' payment terms are closely monitored and the necessary corrective actions instituted.

Taking the aforementioned into account, management has prepared the Annual Financial Statements on the Going Concern Basis.

55. BUDGET COMPARATIVE NOTES

Reasons for material variances between Approved Budget and Actual Amounts on the various items disclosed in the Statement of Comparison of Budget and Actual amounts, are explained below:

Revenue

- Rev1 Outsourced fines issued more than anticipated.
- Rev2
 - Housing Grant Melkhoutfontein budget unspent R10 078 278,
 - Disaster Grant - Budget not amended with amount revert to NT R11 519 000
 - MIG & WEP Grants not fully spent at year end R6 652 011.
- Rev3 Increased sales on water, sewerage and electricity.
- Rev4 Interest earned on investments due to unspent grant funds invested.
- Rev5 Increase in outstanding debtors
- Rev6 Increase in building plan revenue and capital contribution.
- Rev7 Proceeds of sale of PPE (R956 391) not budgeted for.
- Rev8 Gain on revaluation of Investment property can not accurately be budgeted for.

Expenditure

- Exp1 Provision for retirement benefits - medical, less than anticipated. Saving on salary and benefits due to the late filling of vacancies during the year.
- Exp2 Provision increased because of more fines issued.
- Exp3 Unbudling only done near year-end which resulted in lower depreciation than budgeted.
- Exp4 Underspending and savings on maintenance projects.
- Exp5 Transaction fee for Syntell fines, less than bugeted for.
- Exp6 Housing project not completed with unspent funds of R10 078 278 at year end. INEP funding of R2 536 294 could not be spent of uncompleted Housing Project. Saving on budgeted items for Consultants (R227 504), LG Seta (R741 800), Litter Picking (R238 150) and Petrol (R203 000).

Assets

- Fp1 Budget between exchange and non-exchange transactions incorrectly captured.
- Fp2 Outstanding traffic fines more than anticipated.
- Fp3 1) Unspent Conditional Grants of R22 mil not budgeted for, 2) Capital budget less spend than anticipated, 3) Debtors payment ratio more than anticipated.
4) External interest on investments more than anticipated.
- Fp4 1) Underspending of capital budget 2) Re-allocation to Investment property not budgeted for.
- Fp5 Reallocate from PPE not budgeted for.

Liabilities

- Fp6 Creditors less than anticipated.
- Fp7 Anticipated that all grants would have been spent at year end.
- Fp8 Loan raised less than budgeted for due to a council decision after compilation of adjustment budget.
- Fp9 Provision for long-service bonuses wrongly allocated under "Retirement benefit liability"
- Fp10 Provision for long-service bonuses wrongly allocated under "Retirement benefit liability"

Cash Flow

- Cf1 Refer to budget comparison for Statement of Financial Performance for detail
- Cf2 Refer to budget comparison for Statement of Financial Performance for detail
- Cf3 Interest earned on investments due to Flood Disaster Relief & MIG Funds received during 2015/16 and towards the end of the year.
- Cf4 Capital spending less than budget
- Cf5 Sale of land more than budgeted for
- Cf6 Loan raised less than budgeted for due to a council decision after compilation of adjustment budget.
- Cf7 Unspend government grants more than anticipated

Capital

- Cap1 Unable to erect an inventory store for R830 000 due to staff and budget constraints. R300 000 was budgeted for a vehicle store, but only the building plans of R16 200 have been finalised in 2016/17, and the building will be erected in 2017/18.
- Cap2 The Roads and Stormwater projects from Flood Disaster Relief funds are completed with a total saving of ±R5,431 million. VAT on grant funds was claimed (±R11, 908 million), but not allocated to the VAT capital vote.
- Cap3 Three projects, Upgrading of Bulk Sewerage – Riversdale (R2 853 943), Upgrading of Sewerage works – Riversdale (R1 980 592) and Upgrading of Electricity to pump station - Stilbay (R713 983) was unspent at year end due to limited time. Rollover applications will be submitted for all the unspent funds for the 2016/17 financial year.
- Cap4 The Gouritsmond decalcification of water for houses project was amended in February 2017. Due to limited time and bids that came in much higher than the threshold of R1 million the tender was cancelled. The tenders for Upgrading of water purification – Jongensfontein (R1 000 000) and Upgrading of Olive Grove dam purification – Stilbay (R1 000 000) was cancelled due to delivery period of Mechanical Equipment. This meant the projects would not be completed by 30 June 2017. The New Bulk Water supply – Stilbay & Melkhoutfontein from MIG funds was unspent (R1 019 419) at year end. Application for MIG rollover will be submitted before 30 August 2017.
- Cap5 Equipment for Fire Brigade and Traffic was not purchased due to late tender application.

Appendix A - Unaudited

SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2017

EXTERNAL LOANS	Interest Rate	Loan Number	Redeemable	Balance at 30-Jun-16 R	Received during the period R	Redeemed written off during the period R	Balance at 30-Jun-17 R
Annuity Loans							
Development Bank	10.50%	12007420	2021	13 771 611	-	-2 221 050	11 550 561
Absa Bank	10.20%		2027	-	20 000 000	-	20 000 000
Development Bank	9.33%	102770	2017	1 457 012	-	-1 457 012	-
First National Bank	11.40%	4-000-019-445-833	2020	7 918 880	-	-1 663 676	6 255 204
Development Bank	11.56%	103465	2019/06	4 019 161	-	-1 192 134	2 827 027
Nedbank	9.01%	7831031707	2022/06	17 174 616	-	-2 271 520	14 903 096
Development Bank	8.90%	61007148	2023/06	12 758 783	-	-1 382 799	11 375 984
Development Bank	9.98%	12007830	2024/06	21 760 157	-	-1 887 388	19 872 769
Standard Bank	11.26%		2026/06	43 000 000	-	-2 490 530	40 509 470
Total External Loans				121 860 219	20 000 000	-14 566 109	127 294 111

Appendix B - Unaudited

ANALYSIS OF PROPERTY, PLANT & EQUIPMENT AS AT 30 JUNE 2017

	Cost								Accumulated Depreciation and - impairments				
	Opening Balance	Additions	IGRAP 2 Adjustments	Fair Value Adjustment	Under Construction additions	Transfers due to unbundling	Disposals Transfer	Closing Balance	Opening Balance	Additions - Depreciation	Disposals - Depreciation	Closing Balance	Carrying Value
	R	R	R	R	R	R	R	R	R	R	R	R	R
Land and Buildings													
Land	165 596 015	10 532	-	-	-	-	(33 500)	165 573 047	18 171 519	-	-	18 171 519	147 401 528
Buildings	54 951 492	1 835 596	-	-	104 705	-	-	56 891 793	25 781 573	3 182 030	-	28 963 603	27 928 190
	220 547 507	1 846 129		-	104 705	-	(33 500)	222 464 840	43 953 092	3 182 030	-	47 135 122	175 329 718
Investment Property													
Land and Buildings	68 307 159	-	-	2 704 941	-	-	(17 000)	70 995 100	-	-	-	-	70 995 100
	68 307 159	-	-	2 704 941	-	-	(17 000)	70 995 100	-	-	-	-	70 995 100
Intangible Assets													
Water Rights	400 000	-	-	-	-	-	-	400 000	101 110	13 333	-	114 444	285 556
Software	57 480	-	-	-	-	-	-	57 480	14 370	8 211	-	22 581	34 899
	457 480	-	-	-	-	-	-	457 480	115 480	21 545	-	137 025	320 455
Infrastructure													
Sewerage													
Purification	54 972 482	0	-	-	1 859 351	7 057 492	-	63 889 324	9 187 695	1 762 931	-	10 950 626	52 938 698
Outfall Sewerage	6 537 566	-	-	-	-	-	-	6 537 566	4 054 006	425 214	-	4 479 220	2 058 346
Reticulation	57 368 093	5 368 357	-	-	2 063 198	(7 057 492)	-	57 742 157	6 747 463	467 554	-	7 215 017	50 527 140
Water													
Water Meters	4 360 672	-	-	-	-	-	-	4 360 672	1 156 234	145 764	-	1 301 999	3 058 673
Reticulation Network	29 659 749	6 717 391	-	-	1 501 822	(359 131)	-	37 519 831	6 023 448	1 055 822	-	7 079 270	30 440 561
Pump Stations	2 357 629	250 000	-	-	-	(275 479)	-	2 332 150	1 242 327	154 604	-	1 396 931	935 219
Purification Works	2 563 129	-	-	-	75 628	-	-	2 638 757	1 570 280	125 622	-	1 695 902	942 855
Reservoirs/Tanks	27 396 122	144 798	-	-	-	(5 000)	-	27 535 921	6 305 688	725 443	-	7 031 132	20 504 789
Electricity													
Power Stations	582 523	-	-	-	-	-	-	582 523	129 454	20 679	-	150 132	432 390
Transformer Kiosks	4 645 433	-	-	-	-	143 191	-	4 788 623	573 027	94 873	-	667 900	4 120 724
Substations	41 380 078	3 129 927	-	-	-	-2 204 062	-	42 305 943	1 561 964	1 027 855	-	2 589 819	39 716 125
Streetlights	3 041 909	0	-	-	-	701 925	-	3 743 833	576 450	83 815	-	660 264	3 083 569
Electricity Meters	2 907 901	290 033	-	-	0	-	-	3 197 934	669 292	53 220	-	722 512	2 475 423
Mains	47 357 358	2 322 788	-	-	0	1 998 557	-	51 678 704	6 963 392	985 039	-	7 948 432	43 730 272
Solid Waste	1 116 703	289 945	-	-	-	-	-	1 406 648	639 845	51 189	-	691 033	715 615

Appendix B - Unaudited

ANALYSIS OF PROPERTY, PLANT & EQUIPMENT AS AT 30 JUNE 2017

	Cost								Accumulated Depreciation and - impairments				
	Opening Balance	Additions	IGRAP 2 Adjustments	Fair Value Adjustment	Under Construction additions	Transfers due to unbundling	Disposals Transfer	Closing Balance	Opening Balance	Additions - Depreciation	Disposals - Depreciation	Closing Balance	Carrying Value
	R	R	R	R	R	R	R	R	R	R	R	R	R
Roads and Stormwater													
Motorways	108 825 535	29 710 297	-	-	0	57 449 613	0	195 985 445	22 100 610	3 295 640	-	25 396 250	170 589 195
Stormwater	54 708 826	57 291 117	-	-	0	(57 449 613)	(246 734)	54 303 595	11 572 921	1 371 151	(135 815)	12 808 257	41 495 338
Parking Areas	809 405	-	-	-	68 936	-	-	878 340	69 899	20 685	-	90 583	787 757
Footpaths	4 821 372	-	-	-	67 599	-	-	4 888 971	1 614 358	154 090	-	1 768 447	3 120 524
	455 412 484	105 514 654	-	-	5 636 533	-	-246 734	566 316 936	82 758 351	12 021 189	(135 815)	94 643 725	471 673 211
Community Assets													
Cemeteries	1 526 670	806 734	-	-	45 440	-	-	2 378 845	522 284	52 871	-	575 155	1 803 690
Sport Grounds	14 757 900	797 368	-	-	0	-	-	15 555 267	5 987 795	758 558	-	6 746 353	8 808 914
Parks	6 939 349	150 447	-	-	0	-	-	7 089 796	3 096 062	296 763	-	3 392 825	3 696 971
Public Conveniences	1 235 848	548 848	-	-	0	-	-	1 784 696	82 687	89 936	-	172 623	1 612 074
	24 459 767	2 303 397	-	-	45 440	-	-	26 808 605	9 688 828	1 198 127	-	10 886 955	15 921 649
Heritage Assets													
Mayoral chains	30 000	-	-	-	-	-	-	30 000	-	-	-	-	30 000
Art Collections, antiquities and exhibits	8 291 875	-	-	-	-	-	-	8 291 875	-	-	-	-	8 291 875
	8 321 875	-	-	-	-	-	-	8 321 875	-	-	-	-	8 321 875

Appendix B - Unaudited

ANALYSIS OF PROPERTY, PLANT & EQUIPMENT AS AT 30 JUNE 2017

	Cost								Accumulated Depreciation and - impairments				
	Opening Balance	Additions	IGRAP 2 Adjustments	Fair Value Adjustment	Under Construction additions	Transfers due to unbundling	Disposals Transfer	Closing Balance	Opening Balance	Additions - Depreciation	Disposals - Depreciation	Closing Balance	Carrying Value
	R	R	R	R	R	R	R	R	R	R	R	R	R
Other Assets													
Emergency Equipment													
Emergency	736 442	900 000	-	-	-	-	(88 919)	1 547 523	329 758	82 950	(83 156)	329 552	1 217 971
Plant&Equipment													
Graders and Frontloaders	4 522 659	1 027 921	-	-	-	-	(56 216)	5 494 364	2 951 710	320 414	(50 660)	3 221 464	2 272 900
Tractors	3 209 156	-	-	-	-	-	(702 200)	2 506 956	1 984 508	207 692	(623 689)	1 568 511	938 445
Boats	40 000	-	-	-	-	-	-	40 000	22 836	3 852	-	26 688	13 312
Lawnmowers	1 391 052	106 720	-	-	-	-	(5 902)	1 491 870	1 043 987	93 418	(5 902)	1 131 503	360 368
Compressors	69 422	-	-	-	-	-	-	69 422	59 103	2 024	-	61 127	8 295
Other Plant and Equipment	9 667 280	696 587	-	-	-	-	(10 824)	10 353 043	3 983 500	627 740	(10 499)	4 600 741	5 752 302
MotorVehicles													
Sedans	945 030	-	-	-	-	-	-	945 030	669 129	69 857	-	738 986	206 044
Motor Cycles	78 769	24 649	-	-	-	-	(2 997)	100 421	72 911	3 441	(2 899)	73 453	26 968
Trailers	2 023 119	205 131	-	-	-	-	(43 008)	2 185 241	1 417 643	156 940	(37 684)	1 536 899	648 342
Trucks/LDV's	24 942 820	2 741 206	-	-	-	-	(632 510)	27 051 516	12 724 837	1 489 845	(576 272)	13 638 410	13 413 106
Office Equipment													
Computer Equipment	3 999 251	1 206 983	-	-	-	-	(9 652)	5 196 582	1 679 758	378 374	(7 708)	2 050 424	3 146 158
Other Equipment	672 339	195 819	-	-	-	-	(3 320)	864 838	471 715	51 745	(3 163)	520 297	344 541
Office Machines	3 707 589	29 767	-	-	-	-	(604 714)	3 132 642	2 431 014	239 558	(599 977)	2 070 595	1 062 048
Furniture and Fittings	5 604 798	552 294	-	-	-	-	(43 121)	6 113 971	4 194 950	351 203	(40 876)	4 505 277	1 608 694
Security Equipment													
Security	165 345	-	-	-	-	-	-	165 345	54 143	12 901	-	67 044	98 301
Landfill site rehabilitation													
Landfill site rehabilitation	53 500 899	-	5 438 277	-	-	0	-	58 939 176	10 167 104	6 056 370	-	16 223 474	42 715 702
	115 275 970	7 687 078	5 438 277	-	-	-	(2 203 384)	126 197 941	44 258 607	10 148 323	(2 042 486)	52 364 444	73 833 497
TOTAL	892 782 242	117 351 257	5 438 277	2 704 941	5 786 678	-	(2 500 618)	1 021 562 777	180 774 359	26 571 215	(2 178 301)	205 167 272	816 395 505

Appendix C - Unaudited

SEGMENTAL ANALYSIS OF PROPERTY, PLANT & EQUIPMENT AS AT 30 JUNE 2017

									Accumulated Depreciation				Carrying Value 30/06/2017
	Opening Blance 1/7/2016	Additions	Under Construction	IGRAP 2 Adjustment	Fair Value Adjustment	Disposals	Transfers due to unbundling	Closing Balance 30/06/2017	Opening Balance 1/7/2016	Additions	Disposals	Closing Balance 30/06/2017	
	R	R	R			R		R	R	R	R	R	R
COMMUNITY & SOCIAL SERVICES	39 470 112	2 127 068	972 800	-	-	(175 030)	-	42 394 950	6 991 583	769 151	(174 327)	7 586 407	34 808 544
CORPORATE SERVICES	240 983 838	1 480 907	83 799	-	2 704 941	(211 172)	-	245 042 313	37 232 417	2 307 590	(157 477)	39 382 530	205 659 782
ELECTRICITY	106 143 980	6 267 531	-	-	-	(30 799)	639 610	112 380 713	14 458 703	2 488 622	(30 544)	16 916 781	95 463 932
ENVIRONMENTAL PROTECTION	86 281	-	-	-	-	(2 997)	-	83 283	28 792	7 010	(2 899)	32 903	50 380
EXECUTIVE AND COUNCIL	3 587 360	508 823	-	-	-	(118 821)	-	3 977 362	1 831 049	306 937	(117 173)	2 020 813	1 956 549
OTHER	372 089	1 031	-	-	-	-	-	373 119	320 792	27 005	-	347 797	25 322
HOUSING	-	15 512	-	-	-	-	-	15 512	-	244	-	244	15 268
PLANNING AND DEVELOPMENT	500 716	12 769	-	-	-	(61 537)	-	451 948	445 676	18 036	(61 234)	402 477	49 471
PUBLIC SAFETY	3 863 163	1 326 353	88 505	-	-	(117 960)	-	5 160 061	2 023 953	259 088	(112 142)	2 170 899	2 989 161
ROAD TRANSPORT	179 458 177	32 348 891	68 936	-	-	(1 419 892)	60 174 151	210 456 111	50 040 215	6 141 967	(1 200 863)	54 981 319	155 474 792
SPORTS AND RECREATION	86 966 963	63 279 241	1 401 822	-	-	(360 075)	(64 840 329)	151 287 951	16 377 963	2 457 832	(319 502)	18 516 293	132 771 658
WASTE MANAGEMENT	168 389 842	7 702 191	2 995 189	5 438 277	-	(2 335)	(4 047 968)	184 523 165	34 035 850	9 471 486	(2 140)	43 505 197	141 017 968
WATER	62 959 720	2 280 940	175 628	-	-	-	8 074 535	65 416 288	16 987 365	2 316 246	-	19 303 611	46 112 677
TOTAL	892 782 242	117 351 257	5 786 678	5 438 277	2 704 941	(2 500 618)	-0	1 021 562 777	180 774 359	26 571 215	(2 178 301)	205 167 272	816 395 505

Appendix D - Unaudited

SEGMENTAL INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2017

(including inter-departmental charges)

2016				2017		
Actual Income R	Actual Expenditure R	Surplus/ (Deficit) R		Actual Income R	Actual Expenditure R	Surplus/ (Deficit) R
32 638 720	19 697 544	12 941 177	Executive & Council	35 966 554	21 377 251	14 589 303
101 124 938	42 772 803	58 352 135	Finance & Admin	112 970 130	43 327 122	69 643 007
2 567 886	6 351 281	(3 783 394)	Planning & Development	2 855 312	8 240 496	(5 385 184)
6 924 366	11 318 511	(4 394 145)	Community & Social Services	7 606 302	12 222 177	(4 615 875)
9 425 188	10 786 049	(1 360 861)	Housing	16 834 025	17 762 395	(928 371)
46 925 173	47 355 840	(430 667)	Public Safety	70 424 332	61 957 533	8 466 799
458 583	1 899 081	(1 440 499)	Environmental Conservation	572 867	1 589 846	(1 016 979)
10 049 675	18 970 044	(8 920 369)	Sport & Recreation	11 515 915	20 354 182	(8 838 267)
10 522 646	30 789 617	(20 266 971)	Road Transport	89 059 663	32 779 967	56 279 696
30 906 417	22 194 078	8 712 340	Waste Water Management/Sewerage	24 214 580	23 672 734	541 846
12 059 074	24 618 645	(12 559 571)	Waste Management/Solid Waste	12 953 615	26 178 823	(13 225 208)
31 194 990	25 048 463	6 146 527	Water	36 548 494	28 238 258	8 310 236
131 228 999	113 251 769	17 977 230	Electricity	140 348 515	124 267 420	16 081 095
10 000	956 143	(946 143)	Hessequa Tourism	-	1 074 071	(1 074 071)
426 036 656	376 009 867	50 026 789	Sub total	561 870 304	423 042 275	138 828 029
(28 973 038)	(28 973 038)	-	Less inter-departmental charges	(31 015 542)	(31 015 542)	-
397 063 618	347 036 829	50 026 789	Total	530 854 762	392 026 733	138 828 029
		-		-	-	-
397 063 618	347 036 829	50 026 789		530 854 762	392 026 733	138 828 029

Appendix D (i) - Unaudited

SEGMENTAL INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2017

(including inter-departmental charges)

	INCOME					EXPENDITURE				
	Budget	Amendments	Final Budget	Actual	Variance	Budget	Amendments	Final Budget	Actual	Variance
Executive & Council	35 973 634	-	35 973 634	35 966 554	(7 080)	25 010 980	-	25 010 980	21 377 251	(3 633 729)
Finance & Admin	96 176 583	-	96 176 583	112 970 130	16 793 547	54 634 698	4 720	54 639 418	43 327 122	(11 312 296)
Planning & Development	2 085 000	-	2 085 000	2 855 312	770 312	9 071 865	12 750	9 084 615	8 240 496	(844 119)
Community & Social Services	7 969 751	-	7 969 751	7 606 302	(363 449)	13 802 503	-	13 802 503	12 222 177	(1 580 326)
Housing	24 361 338	2 521 447	26 882 785	16 834 025	(10 048 760)	25 938 101	2 521 447	28 459 548	17 762 395	(10 697 153)
Public Safety	46 684 438	-	46 684 438	70 424 332	23 739 894	50 688 460	(135 320)	50 553 140	61 957 533	11 404 393
Environmental Conservation	579 385	-	579 385	572 867	(6 518)	1 843 033	(8 000)	1 835 033	1 589 846	(245 187)
Sport & Recreation	10 185 216	-	10 185 216	11 515 915	1 330 699	22 831 564	(152 797)	22 678 767	20 354 182	(2 324 585)
Road Transport	98 248 220	-	98 248 220	89 059 663	(9 188 557)	37 678 308	52 694	37 731 002	32 779 967	(4 951 035)
Waste Water Management/Sewerage	24 865 828	927 360	25 793 188	24 214 580	(1 578 608)	25 408 830	36 028	25 444 858	23 672 734	(1 772 124)
Waste Management/Solid Waste	12 988 941	-	12 988 941	12 953 615	(35 326)	28 472 364	172 810	28 645 174	26 178 823	(2 466 351)
Water	36 122 005	300 000	36 422 005	36 548 494	126 489	29 413 878	516 350	29 930 228	28 238 258	(1 691 970)
Electricity	142 868 879	-	142 868 879	140 348 515	(2 520 364)	130 462 331	(199 235)	130 263 096	124 267 420	(5 995 676)
Hessequa Tourism	10 000	-	10 000	-	-	1 244 436	-	1 244 436	1 074 071	(170 365)
Total	539 119 218	3 748 807	542 868 025	561 870 304	19 012 279	456 501 351	2 821 447	459 322 798	423 042 275	(36 280 523)

APPENDIX E (1) - Unaudited

ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2017

766109963	2017 Actual R	2017 Budget R	2017 Variance R	2017 Variance %	Explanation of Significant Variances greater than 5% versus Budget and material
Revenue					
Property Rates	70 987 819	69 913 736	1 074 083	1.54	Increased levies & revenue on Residential properties due to 2015/16 interim roll only implemented in 2016/17 (2 interims)
Service charges	188 958 244	185 201 276	3 756 968	2.03	Increased sales on electricity, water and sewerage.
Rental of facilities and equipment	13 163 772	11 375 711	1 788 061	15.72	Increased sales on Camping Sites and Land & Buildings.
Interest earned - external investments	18 093 727	5 227 950	12 865 777	246.10	Interest earned on investments due to unspent grant funds invested.
Interest earned - outstanding debtors	1 522 180	1 188 378	333 802	28.09	Increase in outstanding debtors.
Fines	66 507 156	41 205 010	25 302 146	61.41	Outsourced fines issued more than anticipated.
Licences and permits	1 318 799	1 186 158	132 641	11.18	
Donated property, plant and equipment	900 000	900 000	-	-	
Income for agency services	1 986 815	1 673 115	313 700	18.75	
Goverment grants and subsidies	158 411 863	187 595 462	(29 183 599)	(15.56)	- Housing Grant Melkhoutfontein budget unspent R10 078 278, - Disaster Grant - Budget not amended with amount revert to NT R11 519 000 - MIG & WEP Grants not fully spent at year end R6 652 011.
Gain on revaluation of investment property	2 704 941	-	2 704 941		
Other Income	4 998 006	4 055 149	942 857	23.25	Increase in building plan revenue (R507 119) and Capital Contribution – electricity (R473 323)
Surplus on sale of assets	1 301 440	500 000	801 440	160.29	Proceeds for sale of PPE (R956 391) not budgeted for.
Total Income	530 854 761	510 021 945	20 832 816	4.08	

APPENDIX E (1) - Unaudited

ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2017

766109963	2017 Actual R	2017 Budget R	2017 Variance R	2017 Variance %	Explanation of Significant Variances greater than 5% versus Budget and material
Expenditure					
Employee related costs	127 034 731	142 299 093	(15 264 362)	(10.73)	Provision for retirement benefits – medical (R5 164 748) less than anticipated. Saving on salary and benefits of ± R8,3 million due to the late filling of post of Director Technical Services and Municipal Manager vacant for a few months as well as post that was not filled due to post frozen for 2017/18.
Remuneration of councillors	6 483 887	7 001 944	(518 057)	(7.40)	
Working Capital Reserve	47 471 141	34 619 258	12 851 883	37.12	Provision increased due to more fines issued.
Collection Costs	2 260 932	2 417 934	(157 002)	(6.49)	
Depreciation and impairment	26 571 215	33 545 316	(6 974 101)	(20.79)	Unbudding only done near year-end with resulting lower depreciation than budgeted.
Repairs and Maintenance	16 265 256	18 760 218	(2 494 962)	(13.30)	Underspending and savings on maintenance projects.
Interest - External borrowings	17 722 545	17 972 306	(249 761)	(1.39)	
Bulk Purchases	93 677 454	93 445 619	231 835	0.25	
Contracted Services	7 148 338	9 714 169	(2 565 831)	(26.41)	Transaction fee for Syntell fines less than budgeted for.
Loss on disposal of property, plant and equipment	322 316	-	322 316	100.00	Loss was not budgeted for.
General Expenses	47 068 917	66 700 861	(19 631 944)	(29.43)	Housing project not completed with unspent funds of R10 078 278 at year end. INEP funding of R2 536 294 could not be spent of uncompleted Housing Project. Saving on budgeted items for Consultants (R227 504), LG Seta (R741 800), Litter Picking (R238 150) and Petrol (R203 000).
Total Expenditure	392 026 732	426 476 718	(34 449 986)	(8.08)	
Net surplus for the year	138 828 029	83 545 227	55 282 802	(66.17)	

APPENDIX E (2) - Unaudited					
ACTUAL VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT & EQUIPMENT FOR THE YEAR ENDED 30 JUNE 2017)					
	2017 Actual R	2017 Budget R	2017 Variance R	2017 Variance %	Explanation of <u>Significant</u> Variances greater than 5% versus Budget
Land					
<u>Land & Buildings</u>	2 175 249	3 876 304	-1 701 055	-43.88	Unable to erect an inventory store for R830 000 due to staff budget constraints. R300 000 was budgeted for a vehicle store, but only the building plans of R16 200 have been finalised in 2016/17, and the building will be erected in 2017/18.
	2 175 249	3 876 304	-1 701 055	-43.88	
Infrastructure					
<u>Sewerage</u>	25 243 104	31 823 284	-6 580 180	-20.68	Three projects, Upgrading of Bulk Sewerage – Riversdale (R2 853 943), Upgrading of Sewerage works – Riversdale (R1 980 592) and Upgrading of Electricity to pump station - Stilbay (R713 983) was unspent at year end due to limited time. Rollover applications will be submitted for all the unspent funds for the 2016/17 financial year.
<u>Water</u>	8 544 841	13 173 501	-4 628 660	-35.14	The Gouritsmond decalcification of water for houses project was amended in February 2017. Due to limited time and bids that came in much higher than the threshold of R1 million the tender was cancelled. The tenders for Upgrading of water purification – Jongensfontein (R1 000 000) and Upgrading of Olive Grove dam purification – Stilbay (R1 000 000) was cancelled due to delivery period of Mechanical Equipment. This meant the projects would not be completed by 30 June 2017. The New Bulk Water supply – Stilbay & Melkhoutfontein from MIG funds was unspent (R1 019 419) at year end. Application for MIG rollover will be submitted before 30 August 2017.
<u>Electricity</u>	5 452 715	5 605 000	-152 285	-2.72	
<u>Solid Waste</u>	328 241	328 545	-304	-0.09	
<u>Roads and Stormwater</u>	87 137 948	105 076 511	-17 938 563	-17.07	The Roads and Stormwater projects from Flood Disaster Relief funds are completed with a total saving of ±R5,431 million. VAT on grant funds was claimed (±R11, 908 million), but not allocated to the VAT capital vote.
	126 706 849	156 006 841	-29 299 992	-18.78	
Community Assets					
<u>Public Conveniences</u>	174 169	203 000	-28 831	-14.20	
<u>Sportfields</u>	176 618	201 000	-24 382	-12.13	
<u>Cemeteries</u>	852 175	986 353	-134 179	-13.60	
<u>Other</u>	582 449	589 970	-7 521	-1.27	
	1 785 411	1 980 323	-194 912	-9.84	
Other Assets					
<u>Plant & Equipment</u>	2 591 742	3 944 758	-1 353 016	-34.30	Equipment for Fire Brigade and Traffic was not purchased due to late tender application.
<u>Motor Vehicles</u>	4 688 162	6 601 200	-1 913 038	-28.98	
<u>Other</u>	1 142 720	1 392 511	-249 791	-17.94	
	8 422 624	11 938 469	-3 515 845	-29.45	
Total	139 090 133	173 801 937	-34 711 804	-19.97	

The difference of R15 952 198 from the capital spending on note 8, relate to previous year operating budget spending restated to capital budget spending.

APPENDIX F - Unaudited														
Disclosure of Grants and Subsidies in terms of section 123 of the MFMA, 56 of 2003														
Name of Grant	Funder	Opening Balance 2016/07/01 R	Revert back to Department	Quarterly Receipts				Total	Quarterly Expenditure				Total	Closing Balance 2017/06/30 R
				September	December	March	June		September	December	March	June		
				R	R	R	R		R	R	R	R		
National Government		67 130 593	11 519 000	52 846 000	18 553 000	11 745 000	-	83 144 000	28 307 413	20 200 441	25 831 744	57 699 797	132 039 395	6 716 198
Equitable Share	COGTA	-		14 399 000	11 519 000	8 640 000		34 558 000	14 399 000		8 640 000	11 519 000	34 558 000	-
MIG Projects	COGTA	3 458 718		6 700 000	3 544 000	2 779 000		13 023 000	6 613 161	2 076 546	993 977	2 573 968	12 257 651	4 224 067
Financial Management Grant	COGTA	-		1 475 000				1 475 000	438 179	293 429	101 367	642 025	1 475 000	0
National Electricity Program	DME	-			3 000 000			3 000 000		105 136	370 653	62 987	538 776	2 461 224
Municipal Systems Improvement Grant	COGTA	-						-					-	-
Expanded Public Works Programme	DPW	-		272 000	490 000	326 000		1 088 000	1 295	42 920	88 135	955 650	1 088 000	-
Energy Eefficiency Demand Side Mgmnt	DME	-						-					-	-
Disaster Recovery Grant	COGTA	63 640 968	11 519 000	30 000 000				30 000 000	6 855 778	17 682 410	15 637 612	41 946 167	82 121 968	(0)
Accelerated Community Infrastr. Programme	DWA	30 907						-					-	30 907
Provincial Government		1 109 870	23 952	3 601 716	10 994 349	22 873 563	479 934	37 949 561	1 486 417	11 592 202	8 240 631	4 703 123	26 022 372	13 013 107
Human Settlement Development	WC: Housing	-		1 151 716	8 714 349	17 832 808	419 934	28 118 806		9 866 065	6 657 343	1 517 120	18 040 528	10 078 278
Library Municipal Replacement Funding	WC: Cult. Affairs	146 028		1 591 000	1 591 000	1 591 000		4 773 000	987 563	1 114 352	924 926	1 502 085	4 528 926	390 102
Municipal Capacity Building Grant	WC: Local Gov	16 590	16 590			120 000		120 000				-	-	120 000
Slangrivier Land Reform	WC: Land Affairs	8 725						-					-	8 725
Library Conditional Grant	WC: Cult. Affairs	146 149		859 000	689 000	689 000		2 237 000	434 354	521 952	552 695	874 148	2 383 149	0
Riversdale Thusong Centre	WC: Cult. Affairs	95 000						-				92 400	92 400	2 600
Proclaimed Roads	WC: Transport	-				110 755		110 755		9 833	100 922		110 755	0
Greenest Municipality Competition	WC: Environment	4 623				130 000		130 000			4 745	118 424	123 169	11 454
Spatial Development Framework	WC: Environment	2 807						-					-	2 807
Housing Consumer Education	WC: Housing	20 586						-					-	20 586
Financial Management Support Grant	WC: Local Govt.	369 362	7 362					-	64 500	80 000		120 000	264 500	97 500
Municipal Infrastructure Support Grant	WC:Pub Works	300 000						-				284 190	284 190	15 810
Mun Service Delivery and Capacity Bldg	WC:Local Govt.					200 000		200 000				179 756	179 756	20 244
Mun Drought Support Grant	WC:Local Govt.					1 000 000		1 000 000					-	1 000 000
Fire Service Capacity Building Grant	WC:Local Govt.					1 200 000		1 200 000					-	1 200 000
LG Graduate Internship Grant	WC:Local Govt.						60 000	60 000				15 000	15 000	45 000
District Municipality		373 388	-	-	-	-	-	-	-	-	-	-	-	373 388
Vermaaklikheid Land Reform	Eden Distr. Mun.	78 787.00		-	-	-	-	-	-	-	-	-	-	78 787
Alternative Electricity	Eden Distr. Mun.	273 533.00		-	-	-	-	-	-	-	-	-	-	273 533
Housing Consumer Educations	Eden Distr. Mun.	21 068.00		-	-	-	-	-	-	-	-	-	-	21 068
Other		1 353 135	-	58 731	1 500	81 912	3 000	145 143	68 400	56 322	41 655	183 719	350 096	1 148 183
Skills Development	Seta	308 074		58 731		69 712		128 443	68 400	48 600	41 400	19 800	178 200	258 318
National Lottery Fund		303 227						-					-	303 227
Tourism		101 819						-					-	101 819
Africana Centre		6 615			1 500	12 200	3 000	16 700					-	23 315
National Heritage Council		-0						-					-	(0)
Asla Devco - Water meters Slangrivier		273 400						-					-	273 400
Business Engineering		-						-					-	-
Public Participation Strategy		60 000						-					-	60 000
Arbor Day Award	Total S A	300 000						-		7 722	255	163 919	171 896	128 105
TOTAL - CONDITIONAL GRANTS		69 966 986	11 542 952	56 506 447	29 548 849	34 700 475	482 934	121 238 705	29 862 230	31 848 965	34 114 030	62 586 639	158 411 862	21 250 876

Portion of Unspent Disaster Recovering Grant as at 30 June 2016 to the amount of R11 519 000 was subtracted from Equitable Share during 2016/2017. An dispute was lodged and is still in progress

An amount of R16 590 from the Provincial Municipal Capacity Building Grant was paid back during 2016/17